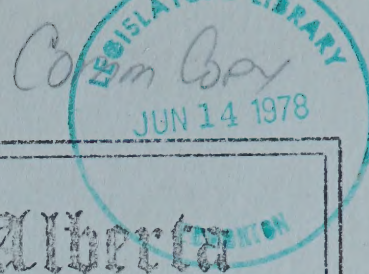


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The Province of Alberta

IN THE MATTER OF THE PUBLIC INQUIRIES ACT
AND IN THE MATTER OF O/C 290/73, AN INQUIRY
INTO THE NEW TOWN OF GRANDE CACHE

N. R. CRUMP, Esq.,	Chief Commissioner
T. H. PATCHING, Esq.,	Commissioner
DAVID GRAHAM, Esq.,	Commissioner

W. A. Stevenson, Esq.,	Commission Counsel
D. D. Sabey, Esq., O.C., and J. G. Martland, Esq.,	For McIntyre Porcupine Mines Ltd.

DATE: June 20, 1973
HELD AT: Edmonton, Alberta.

VOLUME III
(Pages 443 - 549)

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Supreme Court Reporters

EDMONTON, ALBERTA

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PROCEEDINGS before The Board of
Commissioners at the Law Courts,
City of Edmonton, Province of
Alberta, commencing at 9:30 a.m.,
Wednesday, June 20th, A.D. 1973.

SUPREME COURT REPORTERS
EDMONTON, ALBERTA

1-1.P-2

Leonard Lawrence Gurel - Stevenson Ex.

Q (continued) Act?

A That is right.

Q And initially the entire Board membership was appointed by the Minister?

A That is correct.

Q And the Board consisted of whom at the outset?

A Mr. A. D. Swan and myself.

Q Ultimately more members were added and ultimately a number of them were elected; when were the first members elected, can you tell us, Mr. Gurel?

A 1970, the early part of 1970.

Q And you are now the only appointed member of the Board?

A That's correct.

Q And under The New Town system the Town will retain its status until when? Special status of New Town until when?

A There is no time limit. This is a decision that is made by the Board itself from Grande Cache on request to the Minister.

Q What is the Department policy?

A There is no policy.

Q Is it intended that if the Town becomes self-sufficient it will become an ordinary municipal corporation?

A That generally happens but it happens at the request of the municipality at that point.

Q You are the only appointed member of that Board now?

A That is correct.

Q And you were appointed as Chairman?

1-LP-3

Leonard Lawrence Gurel - Stevenson Ex.

A That is correct.

Q How many elected members are there?

A Six.

Q And those are elected in the community itself?

A That is correct.

Q Now, when was the first time that the Department of Municipal Affairs and, I mean your branch or section as distinct from the planning people, became involved with planning for the Town?

A Well, I guess after the Town was incorporated, with one exception and I was involved with one of the planners insofar as developing some general numbers as estimates of costs of developing the Town.

Q I understand that what you did then was give them some figures from previous experience that they could use in estimating cost of construction or servicing?

A That is right.

Q But your Department didn't become involved until the Town had actually been incorporated?

A That is right.

Q And it was incorporated by an Order in Council in 1966?

A That is right.

Q Are you familiar with a report of The Provincial Planning Board for The New Town of Grande Cache dated August 1966?

A Yes I am.

Q And is it in connection with that report that you gave some information with regard to servicing costs?

1-LP-4

Leonard Lawrence Gurel - Stevenson Ex.

A That is right.

Q And this report is a report of The Provincial Planning Board to the Lieutenant Governor in Council dated August, 1966?

A That is right.

Q And that report did in fact go to the Lieutenant Governor in Council and the Town was ultimately incorporated?

A That is right.

Q Mr. Chairman, we will mark this report which has been referred to frequently and will be referred to again, as Exhibit 16.

REPORT OF PROVINCIAL PLANNING BOARD
DATED AUGUST 1966, NOW PRODUCED AND
MARKED EXHIBIT 16.

Q MR. STEVENSON: Here are copies of exhibits that we propose introducing today.

Mr. Gurel, in connection with this report, the information that you supplied towards its preparation would be strictly in relation to some of the costs of servicing, is that correct?

A That's correct.

Q Were you involved at all in giving figures for projected populations?

A No.

Q Did you use this report in making your projections for the development of the Town?

A Only as a basis on which to start.

Q Which portion of it formed the basis of your investigation or your decisions?

A Well, the projections for the mine employees and the general

1-LP-5

Leonard Lawrence Gurel - Stevenson Ex.

A (continued) location of the Town.

Q On page 14 of the report there are land use and population projections for the Town showing the labour force and ultimate involvement?

A Yes.

Q Showing potential involvement of 1,715 employees in the Town?

A That is right.

Q And I gather that the breakdown is coal mining, possible pulp mill operation, possible thermal power plant and service employment?

A Yes.

Q And in service employment, that is a ratio which is calculated from previous experience as to how many employees in the service industry are required for a given labour force?

A That is right.

Q And in planning the Town which base of figures did you use?

A We used the figures in column 1970.

Q Which show 700 in coal mining, 40 in thermal power and 185 in service?

A Correct.

Q Which would give an ultimate population of what order?

A We were looking at about four and a half people to every work force so, about four and a half thousand.

Q Now, did you have anything to do yourself with the development of those figures?

A No.

1-LP-6

Leonard Lawrence Gurel - Stevenson Ex.

Q And do you know where the information was obtained by the Planning Branch for those figures?

A No I don't.

Q Now, the Town was actually incorporated by Order in Council in late 1966; when did you first start doing some work in connection with the planning for the Town so that government funds were expended?

A Shortly after incorporation we engaged a consulting engineer, a firm of consulting engineers to do preliminary examination as to which site out of three, there are three sites mentioned in that report, which one of those would be suitable for development, taking the number one choice first and then to see what kind of costs would be involved to service the area.

Q The decision as to the actual physical development of the Town, when was that made, when was the actual contracts let and so on for the actual clearing of the Town and the development of land sites?

A Early 1969 after the announcement was made in December 1968 that the contract had been signed by McIntyre and the Japanese to deliver coal to Japan.

Q Which contract was that?

A Well, it was the first one that was announced by McIntyre, I don't have any other information but, it was for a million and a half tons I believe.

Q For what period of time?

A Fifteen years.

1-LP-7

Leonard Lawrence Gurel - Stevenson Ex.

Q Was it the decision of the Board of Administrators not to proceed until that contract was announced?

A Yes, as a matter of fact, we had no authority to proceed until the contract was announced.

Q Your authority would come from your Minister?

A That is correct.

Q But you knew it was depending on the contract?

A Yes .

Q Now I understand, Mr. Gurel, that in preparation for the development of the Town there was an ad hoc or informal committee set up consisting of yourselves or, representatives of your Department, representatives of McIntyre Porcupine and representatives of Associated Engineering Services Limited?

A That is correct.

Q And Associated Engineering were the engineers you retained?

A Yes.

Q Now, I am handing you a series of minutes starting Saturday, October 19th, 1968, to January 8th, 1969, which purport to be minutes of meetings held on The New Town of Grande Cache, you have seen those minutes?

A Yes I have.

Q And do those reflect, in general terms, the discussions that took place between the various parties as listed in these minutes?

A Yes they do.

Q And what was the purpose of this committee or this group?

1-1P-8

Leonard Lawrence Gurel - Stevenson Ex.

A It was a liaison committee to keep everyone informed, the Town informed as to what the company was doing and the company informed as to what the Board of Administrators were doing.

Q And as of October 19th, 1968, The New Town was not committed, the Board that you were on was not committed to commencing development?

A That is correct.

Q You were waiting at that point?

A Waiting for the contract. I should mention we had spent I believe something like \$35,000 in engineering fees for preliminary studies but that was preliminary work only.

Q You weren't permitted to go ahead at that point?

A No.

Q Now, in the minutes dated October 19th, 1968, there is a reference to a Mr. Price, who is Mr. Price?

A I don't know what his title was but he was with McIntyre Porcupine, Project Co-Ordinator or something along that line.

Q Did he usually represent McIntyre Porcupine in dealings with you?

A Yes, always during the first year and a half or so.

1-HG-1

Leonard Lawrence Gurel - Stevenson Ex.

Q There's a statement in here: "Mr. Price supplied the following information. From August 1st, 1970 to March, 1972, the mine will maintain a labour force of 500 men at 1.5 million tons a year. However, if production was to increase to three million tons per year, the mine would then employ 900 men."

A Yes.

Q Now, was that the range of figures that you understood that had been used by the Provincial Planning Board?

A The general range, yes.

Q And it says that "Mr. Gurel supplied the following data: the Board of The New Town will proceed with development upon receiving authorization." Was that authorization from your Minister?

A Yes.

Q And that, was that in your mind dependent upon the announcement to the coal contract?

A Entirely, yes.

Q "School facilities will be provided providing students are available in the Town or their presence can be assured."

What was the problem with respect to education?

A Well, there was no school district established at that time and the department's procedure was to have the district, when and if it was set up, supply a statement of need, which had to indicate the number of students that were there or were assured to be there before facilities could be constructed.

Q So that the general policy of the Department of Education was to require bodies on the ground before it supplied school

Leonard Lawrence Gurel - Stevenson Ex.

Q (Continued) facilities?

A Right.

Q And what did you have to do then in order to get school facilities in this community?

A They, the Board was not directly involved in the school facilities in the beginning. They did establish a school district early '69 and an official trustee was appointed and, because of the nature of the development at Grande Cache, I think they changed the rules because they did let a contract almost immediately for a sixteen room school.

Q In these early stages there was no one representing the Department of Education in their meetings?

A That's right.

Q So you sort of acted as liaison?

A That's right.

Q Now, in these minutes, it says also "In general McIntyre Porcupine would be responsible for the recreation center, support for Department project, rudimentary landscaping, and the Board will be responsible for the remainder of the Town development." What was the arrangement or understanding at this time with respect to the recreation center?

A The recreation center was going to be built at McIntyre's cost entirely.

Q Was there any firm written contract with respect to that or was this just part of the general arrangement?

A Just general arrangement.

Q Was that later changed?

A Yes, it was.

1-HG-3

Leonard Lawrence Gurel - Stevenson Ex.

Q How did that come about?

A Because of the finances of the company, they had received a quote to build the road from the bridge to the mine some twelve miles, I believe, and it was supposed to cost 600,000. The cost increased to somewhere near a million, and the mine suggested that they couldn't, they had to cut the dollar somewhere, and they took it out of the Rec. center and said that they would still go ahead with a contribution towards it if the Town would put in some dollars also.

Q And was that agreeable to the Board?

A The Board agreed to this, yes.

Q Now, the piece of road that McIntyre was building was from the bridge up to the mine site, is that right?

A That's right.

Q Which was being built by the Department of Highways for them?

A That's right.

Q Did you have any involvement with the Department of Highways, Mr. Gurel?

A Not in this regard, no.

Q How much money did McIntyre ultimately put into the recreation center while we have that?

A \$375,000.

Q And what was the cost of the recreation center?

A Just over a million.

Q Just over one million dollars?

A One million dollars, yes.

Q Was there discussion between the Board and McIntyre Porcupine as to the quality of the recreation center?

1-HG-4

Leonard Lawrence Gurel - Stevenson Ex.

A Oh yes, definitely.

Q What was intended to be put into that facility, in general terms?

A Well, initially, and we're talking about away back when they said they were going to finance the whole thing, it was going to have an auditorium type of development, kitchen facilities (so it could be used as a community hall type) swimming pool, arena, and a curling rink, and eventually these things changed, as negotiations continued, to the point that when it was finally built it was provided with only a swimming pool, a skating rink, and a curling rink.

Q It was designed by the Town or for the Town?

A For the Town, yes.

Q And the Town made the decision as to what money would be expended on it over and above McIntyre's contribution?

A Yes.

Q And at the time you committed yourself to the recreation center, you knew what McIntyre's contribution was going to be?

A Yes, we did.

Q And that then would be the Town's own decision?

A That's right.

Q Did McIntyre indicate that their contribution was conditional upon providing all of these facilities?

A No, no. They, they were, had met with the Board to make that decision as to what was ultimately going to be in the Rec. center. Once that was decided, the Board was left to make the sort of nitty-gritty decisions as far as the construction was.

1-HG-5

Leonard Lawrence Gurel - Stevenson Ex.

A (Continued) concerned.

Q Presumably, you couldn't have provided all those facilities at any reduction in cost?

A Well, we don't think so, yes. We think we got a good price for what facilities we have.

Q Was McIntyre's contribution conditional upon providing those facilities, Mr. Gurel?

A Well, it's a little difficult to say which came first. They would not provide the contribution until they had agreed as to what would be in the facility, yes.

Q In the minutes of November 1st, 1968, there's a statement that Mr. Price advised that the production tonnage would be increased, however, no significant manpower increase is expected due to the discovery of larger deposits of strip mining." What was the comment made there? What was the discussion that led up to that statement, do you recall?

A Well, I believe it was strictly an information given to the Board for our information.

Q Did that change your projections in any way?

A Not materially. We had not planned on developing the Town to the extent of providing for the ultimate development. We were doing it in stages anyhow, so if the population was less we would catch it before we did another stage of development.

Q Were you still working on the figures in the provincial planning report?

A Basically, yes, we were still looking at that, and we also had other numbers given to us at unrecorded meetings where the,

1-HG-6

Leonard Lawrence Gurel - Stevenson Ex.

A (Continued) subsequent to that particular meeting, where the population or the mine employees would total some seven seven seven, 777.

Q So is it correct that at some stage the figure of seven to 800 became fairly firm?

A Yes.

Q Seven seventy-seven, do you remember that?

A Yes, it was sort of an unusual number to have also, yes.

Q And where did that information come from?

A That came from McIntyre at a meeting that we had in Mr. Price's office, I believe.

Q Then when was the decision made to go ahead to start developing this Town and expending funds?

A Very early in '69. I can't give you the exact date. It would have to be in January somewhere we instructed the engineers to go ahead and call for tenders for the first portion of the development.

Q Was the Town in stages?

A Yes, yes, three stages.

Q Mr. Gurel, in the minutes of November 14th, 1968, it's reported that "Mr. Price had met with the provincial government and had been told that an approval of the development would be forthcoming." What did you understand Mr. Price's communication with the government was?

A It was that they were close to signing a contract, if they hadn't already signed a contract with the Japanese, and it was going to be officially announced by that date.

Q And there was, I take it, a ministerial announcement at some

1-HG-7

Leonard Lawrence Gurel - Stevenson Ex.

Q (Continued) point?

A In December about a month later.

MR. STEVENSON:

I would like to mark this set of minutes as Exhibit 17.

MINUTES OF NOVEMBER 14th,
1968 MARKED EXHIBIT 17.

Q MR. STEVENSON:

Under the administration of a new town, Mr. Gurel, when you start expending money, where do your funds come from?

A They come from the provincial treasurer.

Q Direct advance, is it?

A Yes, by advance, with the necessary prior approval of the Local Authorities Board on our bylaws, and an Order-in-Council must also be issued by the cabinet before we can draw any money.

Q Mr. Gurel, in your planning for the Town, was there some minimum population projection?

A Only in the sense of what may be there in the first year and the second year and third year type of projection.

Q Was there some break even point in population figures?

A Well, with the complete development of all the three stages, we need between 4500 and 5000 to make the Town self-sufficient.

Q And you have now developed all three stages?

A Yes.

Q Do you know what the population is now?

A Well, it was 3,584, I believe, as of December '72. However, I believe it's down from that because of the lay-off of some of the employees or, at least, the removing of some of the

L-HG-8

Leonard Lawrence Gurel - Stevenson Ex.

A (Continued) employees from the mine.

Q Is the change of nature of the employment at the mine, that is, the introduction of more strip mining or increased strip mining, did that have any effect on the population in the calculations that you would make?

A It probably would now but we've committed ourselves.

Q We're talking about a break even point in certain population. That's a permanent population we're talking about?

A Yes, yes.

Q Now, that doesn't include any amount of transient workers?

A No, no no, this is strictly permanent development, housing development included.

Q We are not looking at transient forces?

A No.

Q For construction or operation?

A No.

Q Did McIntyre Porcupine indicate in their discussions with you or was there any decision made by the Board as to the quality of the Town?

A Yes, we were always encouraged, I guess is the proper word, to develop the Town to a pretty high standard in order to give the employees of McIntyre a feeling of permanency rather than just a place to live.

Q And it was built to a high standard?

A Yes, I think so.

Q And was the Town planning based on any industry other than McIntyre Porcupine?

A No.

1-HG-9

Leonard Lawrence Gurel - Stevenson Ex.

Q Was there any study made by the Board or the Department of any prospects other than McIntyre Porcupine?

A Not that I'm aware of.

Q There is no record of it?

A No.

Q How was the land acquired for the actual development?

A The Town purchased the land from the Department of Lands and Forests.

Q And how were prices for the resale of land fixed when you came to sell the land?

A On an estimate cost of providing the services in order to recover the major portion of the on site costs of putting the services to the property.

Q So that the principle that the Town operated on was that the land would be sold at its developed cost?

A That's right, at almost its developed cost. We didn't quite recover a hundred per cent of the development cost of a lot.

Q So there was no profit to the Town in a resale lot?

A None whatsoever.

Q And is that true of commercial as well as residential land?

A Yes, it is. I may qualify that that if we would have had a hundred per cent sell out of the commercial land, and we're talking about the high density commercial land, the first year, we maybe would have made 50,000, \$60,000. But the longer we hold it the less that becomes because of the interest that is involved.

Q Because of the carrying charges?

A Because of the carrying charges on the development, yes.

Q So basically no profit on the stand of commercial or residential then?

A That's correct.

Q Was there any attempt to put the commercial land up for bid?

A We asked for proposals for development of the commercial center, yes, but not in the sense of bidding for the land, itself. We asked for proposals as to providing commercial development. We received, I believe, eight of them - now I could be wrong in the number - and the Board then chose the one they felt was the better one.

1-Gans-1

Leonard Lawrence Gurel - Stevenson Ex.

Q Did the Board attempt to dictate the type of commercial development to some extent?

A No, we just indicated the type, the general type that we were looking for. In other words, an enclosed mall is what we preferred, but again if we would have got a proper development or a development that we would accept that didn't include that we would have taken that, yes.

Q I was wondering if there was any other reason or special reason for selling the commercial land at your developed cost? Were you anxious to get the facilities in?

A Yes, we were trying to encourage a minimum amount of development in the commercial centre. We had one proposal where the developer agreed he would take over the commercial centre entirely and then he would decide at his convenience what and when to put it in.

Q That wasn't satisfactory to you?

A Certainly wasn't.

Q Why were you anxious to have the commercial development?

A Well, we had to have some place for the people to shop that were coming in the middle of '69 for one.

Q Did you enter into an agreement with the developer of the mall area which prescribed his method of development?

A Not his method of development, but it did prescribe the timing of the development.

Q At the Hearings in Grande Cache, Mr. Gurel, there was an

1-Gans-2

Leonard Lawrence Gurel - Stevenson Ex.

indication that there was some sort of a commitment to the commercial developer restricting his return on the mall property; was there such an arrangement?

A The agreement did have a percentage in it, yes. I couldn't tell you what that percentage is, but it seems to me it was a four or five percent, but I certainly stand corrected.

Q And there was such an agreement entered into with the developer of the mall?

A Yes, there was.

Q And has it been audited or vented in any way as to its implementation?

A I am sorry, I didn't --

Q Has it been checked to see whether he is in fact carrying it out?

A No, the Town hasn't done any checking on it.

Q Mr. Gurel, can you tell us the amount of money that the Town now shows as its principal indebtedness to the Province?

A The Town as opposed to the school portion now owes the Province three million nine hundred sixty-two thousand five hundred and ten dollars.

Q Has the Town made any payment on principal since those advances were incurred?

A None.

Q Now, I take it that these are advances under the relevant legislation?

A That's correct.

Q And are those essentially development costs?

A Well, they are the development costs that we haven't recovered from the sale of the property, yes.

Q I take it that the Provincial Building there, for example, would not be included in that figure?

A No, it isn't.

Q But the Town's portion of the recreation building would be?

A That's right.

Q So that is unrecovered costs including such things as the recreation centre?

A That is correct.

Q Has the Town budgeted for any principal repayment?

A No.

Q Is it in a position now or will it be in the foreseeable future to retire any of the principal obligation?

A Not under the present circumstances, no.

Q Now, there is also a school portion, is there, Mr. Gurel?

A That's correct.

Q Is it subject to debenture?

A Yes, it has all been debentured, and that portion of the Town's budget is provided for repayment of principal and interest.

Q That is the school debentures are being repaid?

A Right.

Q Now, what is it? Do you have the commitment with respect to the school figures?

A No, I am sorry I don't.

Q We can get that from the Department of Education.

A I'm sorry, I do have, yes, I was looking at the wrong figure. It's one million nine hundred and eighty thousand eight hundred and sixty-six dollars. That's the amount that was outstanding as of December 31st, '72.

Q Now, is that the portion that is unsupported?

A No, that's the total amount of the debt.

Q Now when I use the word unsupported, under the Province's present educational system part of the obligations of the School Board are supported, is that correct?

A That's correct.

Q And when I say supported it comes from Provincial revenue?

A That's correct.

Q And is that entire obligation supported?

A No, it isn't, but I can't tell you what the breakdown is.

Q We can get that. Does the Town have a supply of unsold lots now?

A Yes, it does.

Q What's the approximate value of that inventory?

A Just over a million dollars. These are residential lots.

Q All residential lots?

A Yes, the million some dollars is all residential. There are some other lots available also but not included in that.

Q Is there some commercial land also held?

A Yes.

Q Is there any apparent market for the residential or commercial land at this point?

A Not at this point.

Leonard Lawrence Gurel - Stevenson Ex.

Q Can you tell me how it came about that you had this inventory?
How many, firstly, how many lots?

A Just over 200. I believe the number is about 220.

Q Can you tell me how this surplus came about, what stage in your planning, population planning is this?

A Well, if these were all developed this would give us that forty-five hundred to five thousand people, if all these lots were developed.

Q Which was within your original projection?

A That's correct.

Q When was the decision made to develop the last group of lots?

A It was made in 19 -- 1971.

Q Certainly before there was any indication of the reduction of the number of employees of the mine?

A That's correct, the Stage 3 development was commenced at the request of McIntyre. They required some hundred and twenty-five lots which we didn't have, and so we proceeded to develop Stage 3. They also indicated that there may be, and it was just a very general comment, that they may need an additional 80 the following year. So we developed Stage 3 which included just over 300 lots.

Q Did they take their hundred and twenty-five?

A Yes, they did. We provided that area with water and sewer only at that point.

Q And then did you go on and provide the other services?

A Yes, we did. The original decision by McIntyre or request by

McIntyre was that they would take the lots in the, I guess the easiest way to define them is the west end of Stage 3, and if necessary, if no further development would be done, we would just valve off the east end of Stage 3 from water and sewer and there would just lay there. It would be water and sewer in it, which is a reasonable investment we thought at the time, and if we would just develop the balance with paving, sidewalks and so on. However, timing was such that Alberta Power came in and took some 25 lots in that area, and McIntyre changed their mind and took the lots in the east end of Stage 3. So now we had both ends partially developed. So we were forced to put all the services ⁱⁿ in Stage 3.

Q I take it then, how many lots would have been in the total of Stage 3?

A About 300 or 320, somewhere in there.

Q And you had the Town phased for developing in three stages?

A That's right, but we could have developed Stage 3 into, in two parts.

Q Was the original intention to develop all three stages?

A If the need warranted it. If the mine employees and the auxilliary personnel did actually materialize in Grande Cache.

Q But you used the word phases, and I gather that these were phases of a projected development?

A That's right, we were doing them strictly regardless of the numbers we had from mine employees and so on. We were developing the areas or stages as needed, not just because somebody

said that that area should be developed because we are going to get a final projection. We only developed an area if there was a demand for a lot.

Q And you went into Phase 3 and ended up doing the whole phase?

A Doing the whole phase.

Q There was a means at one point of backing off and only partially doing the whole thing and completely doing part of it?

A That's correct.

Q And you weren't able to do that for what reason, Mr. Gurel?

A Well, between the time that McIntyre had requested the 125 lots, and then they changed their mind from one area to the other, Alberta Power went in and purchased some lots in the west end of Stage 3 or Phase 3, and had started construction on those, and by this time they were committed and McIntyre were too far committed to make a change back to the west end of Stage 3.

Q And I take it you couldn't just leave these few isolated lots without services? You had to go in and pave the whole thing?

A That's correct, because they were interspersed throughout the area and we already sold the lots on the basis that all the services would be provided.

Q So that in what is now Phase 3 there are some empty lots but they are not all in one place?

A That's correct, there is the odd block where one side maybe is completely empty, but because of the lot in sort of one end of the block and one at the other you had to put all the services

in.

Q Is it intended that there will be any further capital investment in the development of the Town now to complete what's there?

A It may be necessary on final reckoning that we may need maybe 150,000 more to complete Stage 3, but that won't be known until after the program is completed.

Q Is that for further servicing?

A That's just to pay for the paving.

Q What is the budget deficit for this fiscal year?

A Some \$58,000.

Q Can you increase the mill rate to meet that?

A Well, an 8 mill increase on our assessment would meet that, yes, and provide us with a very small surplus.

Q What are the taxes on the average residence there now?

A Well, the assessments average between 7,000 and \$8,000, and 79 mills that would run for the \$7,000 assessment just over \$500, and for the 8,000 just over \$600.

Q That includes the school requisition?

A That includes everything, yes.

Q Does the Town also levy business tax?

A We did. We don't in 1973.

Q Why was that decision made?

A Because of the reduction in the Town as far as staff are concerned at the mine, and the general pulling in of finances by everybody we felt that we should try to give the businessmen a break if we could. We felt that might help a little.

1-Gans-9

Leonard Lawrence Gurel - Stevenson Ex.

It wasn't that significant but it would help maybe.

Q Is the Board satisfied that there is a serious problem with the business community?

A Yes.

Q Does the Province provide any other services to the Town, providing direct services to the Town or does the Town supply all its own municipal services?

A The Town supplies all their own municipal services. The Province provides Grande Cache with the same services it does other places, like preventive social services programs and so on.

Q Health Clinic, policing?

A Right -- well policing is paid for by the Town.

Q You are charged for that?

A Yes, we have a contract with the Federal Government.

Q All right, now, in connection with the recreation centre was there some arrangement given or some arrangement made as to the operating costs of that centre?

A When the Board agreed to finance part of the centre, as a matter of fact before that, when McIntyre was going to provide the rec centre the Board had agreed that they would absorb the operating costs of the rec centre.

Q And they do?

A And they do.

Q As part of their operating budget?

A As part of their operating budget. There is a small recovery

1-Gans-10

Leonard Lawrence Gurcl - Stevenson Ex.

from the Department of Youth and Culture and Recreation. I can't tell you the amount. I think it's something like \$3,000. I could be wrong.

Q That's a contribution from them?

A Yes, and this is paid by the Department to every municipality that has the same type of facilities, has a recreation facility that is run by a Recreation Board.

Q What is the operating cost of that facility?

A I couldn't tell you exactly. Our budget I believe this year was something like eighty or ninety thousand dollars, but I don't know the exact figures.

Q And that is not any principal payment, that's an actual operating cost?

A That's the operating cost excluding the principal or interest on the New Town advance that was obtained for it.

Q Without any carrying charges?

A That's right.

Q And can that be cut back on?

A I think the Board tried this year as much as they could, and I think they have cut it to the bone now without closing the rec centre down.

Q Now, the hospital that is there is operated under a separate authority, is that correct?

A That's correct.

Q Were you part of the negotiations with respect to the hospital?

A Yes, I was one member on the initial Board that was set up to

develop or build the hospital.

Q And what was the arrangement with respect to the hospital?

A Arrangement financial?

A Yes?

A That McIntyre had agreed to provide one-third of the cost of the hospital to a maximum \$250,000.

Q Did the Town make any contribution?

A Not other than the normal requisition. None other than the normal requisition which I believe would total some \$50,000 over a two-year period.

Q Did the Town donate the land for the site?

A They donated the land but they charged 50 percent of the servicing costs to the hospital.

2-1P-1

L.L. Gurel - Stevenson Ex.

Q Then the Town would have made a contribution in addition to the land of half of the servicing charge?

A That is right.

Q And how much land, do you know, Mr. Gurel, was given to the hospital?

A I couldn't tell you what the acreage is, it is fairly significant but I couldn't tell you the amount.

Q Serviced land would be worth \$50,000 an acre on your calculations?

A Well no, we were looking on the basis of about \$25,000 an acre for serviced land.

Q And this was given to the hospital district or division, the land was, and they paid half the servicing?

A Half the servicing, that is right.

Q So, the cost to the Town of giving that land would be the Town's cost of the raw land, would it?

A Yes, the cost of the raw land plus half the servicing.

Q And can you put a value on the land that was given then, Mr. Gurel?

A We paid approximately \$35 an acre to Lands and Forests, so whatever acreage was at the hospital, that would have been the amount.

Q That was the gross price you paid?

A That was the gross we paid for the raw land.

Q And after you take out your reserves and highways --

A Then we have got a different price range.

L. L. Gurel - Stevenson Ex.

Q The Town is now operated as an urban county, is that correct?

A Well yes, I guess for lack of a better definition it is an urban county, yes.

Q And it, of course, files financial statements with the government for each fiscal year, is that right?

A That is right.

Q Now, I have copies of the financial statements for the years 1969, 1970, '71 and '72; can you tell me if these are the Town's financial statements for those periods?

A Yes they are.

Q And these are the ones actually filed with the Provincial Government?

A That is correct.

Q And provided to the ratepayers?

A Yes. Yes, this last year in '73 we didn't send financial statements to the ratepayers, we just provided a synopsis of it in the local paper which every ratepayer gets.

Q The 1972 statement, pardon me --

A The '72 statement.

Q The '72 statement was circulated in that way?

A That is correct.

Q We will mark the 1969 statement as Exhibit 19 -- pardon me, 18. Perhaps we should mark them all as one exhibit.

MR. CRUMP: I think that would be suitable.

MR. STEVENSON: Exhibit 18 will be the financial statements.

FINANCIAL STATEMENTS REFERRED TO
ABOVE NOW PRODUCED AND MARKED EXHIBIT
18.

Q MR. STEVENSON: Mr. Gurel, is there any prospect of meeting the current deficit other than by taxation or direct provincial grant?

A No.

Q Some time ago the Town applied for annexation, I understand?

A That is correct.

Q And I take it was proposed to annex the mine site?

A Yes, and the area in-between the mine site and the Town, yes.

Q And was it correct that that was essentially a revenue measure?

A No, not entirely, I think that was the major reason but certainly it wasn't the only one. We, the school district, which we administer already goes out there and we were endeavoring to make the two boundaries coterminous.

Q At the hearings in Grande Cache we were provided with a copy, in Exhibit 4, the Board of Administrators' Submission, with a copy of the decision of the local Authorities Board on the question of annexation?

A Yes.

Q You are familiar with that decision?

A Yes.

Q And I gather that the Town did not take any exception to the fact findings that the local Authorities Board made in rejecting the annexation application?

A That is a little difficult to answer.

2-LP-4

L. L. Gurel - Stevenson Ex.

Q In any event, Mr. Gillies didn't?

A Yes. Well I think generally the Board didn't, we were a little unhappy, I guess, but it was the local Authorities Board decision.

Q Now, the mine site is taxed within a local improvement district?

A That is correct.

Q So that the Commissioners are clear on this, the area around the Town site is a local improvement district?

A That's correct.

Q Administered by the Department of Municipal Affairs?

A That is correct.

Q And the taxes therefore on the mine would be paid to the Department?

A To the Department and placed in the Improvement District Trust Account for that particular improvement district.

Q Now, I gather that there is now some tax transfer from the improvement district to the Town, is that correct?

A That is correct.

Q And how does that come about?

A First of all the improvement district must be established as an industrial improvement district and that is done by the Minister.

Q And that has been done in this case?

A That has been done in this case. After that is done the municipality that provides the living accommodation for employees working out in the improvement district, must submit a count to the Department every year of every employee that works in the I.D. and his family, his immediate family, and that total count

2-LP-5

L. L. Gurel - Stevenson Ex.

A (continued) then is taken and for the last two years I believe it was, the Department or at least the I.D. has transferred \$50 per head to the Town.

Q Will that be a declining figure now?

A It would have to be now, yes.

Q And is this a discretionary grant?

A Yes, because the legislation is permissive, the Minister could decide it is no longer an industrial improvement district which would nullify the grant.

Q Is the amount also in his discretion?

A Yes it is.

Q And that is the Minister of Municipal Affairs?

A That is correct.

Q Do you know, Mr. Gurel, what kind of figures you are talking about from a tax point of view if the mine site had been brought within the Town, what increased revenue you would have expected?

A Well, on the basis of our 1973 budget which provided for a municipal mill rate of some 37 mills and with the mine assessment of just over \$4 million that should have given us about \$140,000, I guess, in very round numbers.

Q And do you know how much you got by transfer?

A Well last year we got one hundred fifty-eight thousand. We don't have a count this year for the applicable people that would qualify for grant.

Q That is at \$50 a head?

A \$50 a head, for every miner and person ancillary to the mine

L. L. Gurel - Stevenson Ex.

A (continued) operation like the bus drivers and so and their families would all be counted.

Q So last year it paid you almost as well as if the mine had been within your tax area?

A That is correct. I should mention one thing here in case the Commission is wondering why we applied for annexation. When we applied for annexation the mine assessment was \$9 million, not \$4 million which was quite a significant difference.

Q Assuming that there are no tax forfeitures, that is there is no property goes back to the Town for taxes and no provincial grant, the Town will continue to operate with a budget deficit of the order you have this year, the prospect would be the same next year, there is no way of cutting that?

A Well, under the existing circumstances, no, I think that would be correct, yes.

Q And would you say the Town's viability is dependent on the mine?

A Definitely.

Q Are there any steps that can be taken to strengthen the Town's economic position that you can put before this Commission?

A Well, under the existing circumstances I have already made a proposal, last December, to my Deputy Minister at that time, that in order to make it a viable operation the government should, I guess in essence, buy the serviced residential lots from us at a million dollars which would eliminate some \$75,000 annually in interest charges.

Q And you would then be able to operate within that --

2-LP-7

L. L. Gurel - Stevenson Ex.

A I believe so.

Q -- and not retire any of the principle obligation?

A Well, that would be questionable. It might be possible to retire some of the other principle under those circumstances.

Q Has the government made any decision in connection with that proposal?

A No, it has not.

Q Is there any prospect of the government being able to sell those lots if they take them?

A At this point, no. I should mention that the proposal wasn't that great, you know, that the government would have to sell. We would be agreeable, I am sure, to sell them and put the money in a trust account and then submit to the government on whatever basis the government wants, monthly, yearly or biannually or whatever.

Q What do residential serviced lots sell for?

A \$60 a front foot.

Q And that is your cost?

A No, our cost is running about \$70 a front foot.

Q So you are selling residential lots for slightly below your costs?

A That is correct.

Q Why is that?

A Because we felt the market wouldn't bear a higher cost than the \$60.

Q Is that the price you established all along?

L. L. Gurel - Stevenson Ex.

A No, the first year, stage one, we sold some residential lots at \$53 a front foot but we didn't do any clearing or stripping of the land for that cost and then because of the terrain McIntyre negotiated with the Board to do this stripping and the clearing of the trees you know, and the stripping of the ground and we increased the price.

Q But not quite sufficient to recover your cost?

A That is correct.

Q You say because you didn't think the market would bear it?

A That is right.

Q Who was the market?

A McIntyre. There were the few private people, of course, that fall under the category -- well, they weren't negotiating, the price was established under negotiation with McIntyre.

Q It was a uniform price for everybody?

A That is right.

Q And still is?

A Still is.

Q Alberta Power for example bought some?

A That is correct.

Q Mr. Gurel, we were in Grande Cache last week for the Town's submission?

A That is right.

Q Can you add anything to what was told to us in regard to the situation with respect to the proposed highway?

A I don't think so. I believe they covered it very well.

L. L. Gurel - Stevenson Ex.

Q Was any discussion between you and the Department of Highways as to the route of the main Grande Prairie - Hinton Highway through the Town?

A None.

Q It was pointed out to us that the highway portion that goes through the Town is designed to highway standards as distinct to municipal standards, is that correct?

A I think it is a little difficult for me to answer. It was originally built by the Department of Highways to highway standards. If you are referring to the method which we provided two lanes each way with a divider down, a median down the centre and so on and a service road, yes we did this on the basis, I think, that some day there would be a highway through Grande Cache.

Q And this was the Town's decision?

A It was the Town's decision.

Q It was the Town's decision to put access roads in and a divided four-lane --

A That is right.

Q And at that time was there any discussion with the Department of Highways as to whether or not that would become Highway 40 or whatever?

A No. We had made presentations to them to take it over as a highway but there were no discussions prior to that. Whether it would be a highway or not.

Q Have they now taken it over as a highway?

L. L. Gurel - Stevenson Ex.

A Yes they did, early last year.

Q And that highway strip in the Town is what leads to the highway to the mine?

A That is correct.

Q Has the Town made any study or the Department made any study of tourist potential?

A None that I am aware of.

Q Or of recreation potential?

A None that I am aware of.

Q In the Provincial Planning Board's Report, Exhibit 16, of August 1966, there is some reference to other industries including tourism, although no labour force attributed to it, is the Town or you, through the Department, aware of further studies of those suggestions?

A None that I am aware of.

Q And when planning the Town, did you make any allowance for the population that might be supplied by the tourist industry?

A Well we felt there would be residential land available, we still have an area or stage or phase four, that could be developed for residences but we did provide along the highway, yes, for commercial development geared to the tourist industry or, the travelling public.

Q But you didn't do that in anticipation that that would be a main highway?

A No.

Q Did the Town --

2-LP-11

L. L. Gurel - Stevenson Ex.

A Pardon me, you said in anticipation. Yes, we did it in anticipation of it being a main highway but, we had no way of knowing, I mean it was never admitted to us that it would be a main highway.

Q Was there any communication with the Department of Highways at all about that prospect?

A Not in relation to the development of the highway, no.

Q In connection with the services of a tourist nature that are provided in the Town, including hotels and motels, did the Town dictate to any extent the way they were to be constructed or their capacities?

A None, no dictation at all.

Q Was there an indication that the hotels should be of a certain size?

A Not in room size, no.

Q In value or over-all size?

A No, I think I would have to state that no commitment was required of the developers for any particular size in that respect, no.

Q Were the developers given any advice as to what population might be expected?

A Yes, I believe that we quoted to them that we anticipated when the Town was finally developed we should have between forty-five hundred and five thousand people.

Q Based on the projected estimates that are in the Provincial Planning Board Report?

A Yes and by that time, by the time the development of the hotel

2-LP-12

L. L. Gurel - Stevenson Ex.

A (continued) was going which was mid '69, we already had other numbers as far as the labour force at the mine was concerned. This was during the time the seven seven seven number came about.

Q Now Mr. Gurel, you have already told me that this Town operates under a county form of government, so I take it the education costs generally are within the purview of the Department of Education?

A That is correct.

Q Has there been any problem in Grande Cache, has there been any problem from an administrative point of view or the Town's point of view, in functioning as a county as distinct from a separate town board?

A I don't think so, no, I think the problems we have had would have been there no matter what type of administration there was.

Q And what would happen, Mr. Gurel, could you outline to us what effect it would have if the Town converted from New Town status to an ordinary municipal body, to an ordinary Town?

A On the basis of -- you are not worrying about finances at this point?

Q Let's talk finances first?

A Well, under the legislation they can't revert to an ordinary town unless they pay back all of the New Town advances.

Q Which means financing?

A Which means debenturing it and they would have to know they must pay the principle on the debentures every year.

L. L. Gurel - Stevenson Ex.

Q From the point of view of general administration it would mean a fully elected board?

A That is correct.

Q Is that the only significant change?

A That is the only significant change.

Q Does the Town rent its space in the Provincial Building?

A That is correct.

Q On an agreed rental figure?

A Right.

Leonard Lawrence Gurel - Stevenson Ex.

Q Is there any record of any, in your department of any other commitment or representation now other than might have been indicated to us by the province to the community or mine that you're aware of?

A Not that I'm aware of, no.

Q Mr. Gurel, in connection with the statements that were made to us last week by the Alberta Teachers Association, you had some comments to make with respect to some of the representations that they made. Firstly, I understand that you wanted to comment about the relationship between the Town and the school with respect to the costs of developing facilities?

A That's correct. It was inferred that the landscaping costs at that site, which is a reserved site, were paid or charged through the school account, which wasn't true. The Town paid for the sidewalks, for example, all the sidewalks in there. The Town paid for the parking area for the teachers and, of course, it's a joint use thing, and I think this was the reason for the fact that the Town ended up paying for it. The Town also provided for all the costs that have been spent this far for the soccer field. Certainly we did provide the funds in the school budget for some of the landscaping, but we believe it was an equitable split.

Q Now, the fact that the school capital borrowings are not supported by the divisional school foundation program, is it due to over building the facilities?

A No, it isn't. It's due to the fact that the county couldn't build the buildings there at the, under the support price.

Leonard Lawrence Gurel - Stevenson Ex.

Q Now, when you talk about support price, the Department of Education puts up a special, a set figure which they will give to you for the construction of the school, or give it to the school board?

A That's correct. They will allow that and a debenture for that particular cost is supported under the foundation program.

Q The payments on that are made by the province?

A By the province, that's correct.

Q Now, you in Grande Cache have an additional amount?

A That's correct. The years in '69 and '70, and I can't quote the exact number, but you could get this from education, was, I think, \$16 and some cents a square foot for elementary schools and \$17 and some cents for junior-senior high schools. Now, we were building our schools in the same, our elementary school for over \$18 a square foot and junior-senior high came in over \$22 a square foot, so this is the excess price and this is the nonsupported portion of our debt.

Q That's the part that is currently charged against the tax payers, is it?

A That's correct.

Q And the rest is paid by the province out of the general revenue or the foundation program?

A Out of the foundation program.

Q Now, it's true, is it, that the school facilities are not fully occupied?

A Yes, I think generally you'd have to say this, but this includes the portables that we also own that were being held

Leonard Lawrence Gurel - Stevenson Ex.

A (Continued) there in anticipation of additional growth.

Q And the operational grants that you get for the operation of the school will be dependent upon the number of pupils that you have?

A That's correct.

Q So that your operational income in the present situation will be reduced?

A That's correct.

Q And it may be reduced even more significantly next year?

A It's possible, yes.

Q And the cost of the school buildings, insofar as they are supported by the foundation program, are not necessarily paid for by the community. That would depend on the community's own tax structure, wouldn't it?

A Well, it's the same as in the rest of the Province of Alberta, that the foundation program provides a certain sum for school buildings and that money comes out of general revenue and out of the levy that the province makes against every municipality.

Q And some communities pay their own way and others don't?

A That's right, I guess that's --

Q But Grande Cache is in no special class in this case as far as you're concerned?

A Not for that portion of the money, no.

Q Is there any special case now that you have been operating in the school under the county system, is there any special case made out for operational grants, or has there been a special case made out for operational grants?

A We have received a significant amount of money from the

Leonard Lawrence Gurel - Stevenson Ex.

A (Continued) Department of Education or from the province in the way of special grants, yes, because the Town, or the school portion couldn't operate.

Q A couple hundred thousand dollars a year would be --

A I guess that's about what it's averaged. As a matter of fact, we're applying for another 180 for '73.

Q And on what basis does the Town expect that kind of systems? What's the case for the special grants?

A Because of the excess cost to, debt cost, for one; the excess cost of providing the educational facility or education programs for the students with the limited amount of enrollment, we have some very low classroom units.

Q Is that because of the population or because of the language difficulties or both?

A Well, I think basically because of the population.

Q Now, Mr. Williamson told us that there had been some attempt made to get subsidies for the teachers at Grande Cache, and referred to Fort McMurray as an example. Did you want to make a comment on that?

A Well, the reference was made at the hearing that Grande Cache was an unusual place, it was out in the sticks, and was one of the only places that wasn't providing special assistance to their teachers; and the fact is that we're not that unusual. Fort McMurray, in the past when it was part of Northland, and even subsequent to leaving Northland School Division, were providing various subsidies to their teachers. But as of the end of this year, it will be completely finished up, and I might just mention for 1973 they are paying their teachers

2-HG-5

Leonard Lawrence Gurel - Stevenson Ex.

A (Continued) 700 -- or \$400 a year.

Q Subsidy?

A Subsidy, yes.

Q Is the Town having trouble contracting teaching staff --

A No.

Q -- or keeping teachers? Keeping teaching staff?

A Not, keeping teachers, yes.

Q And is that an economic problem? Can the Board deal with it on an economic basis?

A Well, supposedly that's what we're told it's an economic situation, yes.

Q And you also had a comment to make about the cost of living survey in Grande Cache?

A Yes, the information provided at the hearing indicated that the cost of living in Grande Cache was 5.2 per cent higher than Hinton, whereas, in fact a study, from what I've obtained from the Town office, indicates that that's 5.2 per cent higher than Edmonton, which is a significant difference, I believe.

Q Why did the Town go into regional bargaining?

A Because they felt it was a better method of bargaining with their teachers, or with the union, or A.T.A. actually is the proper terminology.

Q Are there any tax arrears in the Town now?

A A very small amount, yes. There are taxes owing from 1970, I'm sorry, 1971 amount to \$800.

Q And your view that the Town could carry on with its present population would be predicated upon there being no tax forfeitures?

2-HG-6

Leonard Lawrence Gurel - Stevenson Ex.

- Martland Ex.

A Well, we can carry on. We are going to have to operate in deficit and so on, but certainly if we get any tax forfeitures, that reduces the income that we have to operate on.

Q And as far as the school portion is concerned, your per pupil grant will be affected?

A Will be affected, that's right.

Q And is there any idea as to the extent that it will be affected?

A Well, I believe there had been a number of projections, but I couldn't really comment.

Q There are some people in the community who are staying on simply to the end of the school year?

A That's what we were told, yes.

MR. STEVENSON: Those are all the questions that I have, Mr. Gurel.

MR. CRUMP: Mr. Martland, have you any examination?

MR. MARTLAND: One or two questions, Mr. Chairman.

MR. CRUMP: Right.

MR. MARTLAND EXAMINES THE WITNESS:

Q Sir, you mentioned that some of the earlier discussions, as reflected in the minutes, there was a discussion with McIntyre Porcupine concerning the recreation center and also several other items to which they were to make contribution. What were those other items once again?

A I don't recall the additional contributions. The only other item that came in was the hospital, that they were very concerned about getting a hospital in Grande Cache and they

Leonard Lawrence Gurel - Martland Ex.

A (Continued) were prepared to make some arrangements for that, and the end result was, as I had mentioned, \$250,000 maximum.

Q I thought you had mentioned something about apartments and sidewalks and things like that?

A That was mentioned in the minutes. Not the sidewalks. There was an apartment. During those negotiations, or during that period of time, McIntyre was concerned about getting living accommodation in Grande Cache very quickly, and apartments was one of them, and they were prepared to make some arrangements. At that point, they didn't know what amount of money or what they would do, whether it was in the form of a guarantee of occupancy or something, but they wanted to encourage somebody to develop an apartment to sort of fill in the gap in the beginning for temporary accommodation, people coming in before their houses were completed, and then later on to provide the kind of a facility that's required in every town of rental accommodations.

Q Was some arrangement worked out for that?

A Yes, they did make an arrangement with the developer who built 41 suites, I believe it was, two 21 suite apartments.

Q You had also mentioned that McIntyre had encouraged the development of the Town to a high standard, so that a feeling of permanency could be given to the employees?

A Right.

Q Who from McIntyre was involved in that sort of discussion?

A Mr. Price.

Q Is that true, really, of all of the discussions about which you have spoken in the early stages?

2-HG-8

Leonard Lawrence Gurel - Martland Ex.

A Yes. You mean Mr. Price's involvement?

Q Yes.

A Yes, Mr. Price was, I believe I can safely say he attended 90 some per cent of our meetings. There may have been the odd one he missed, but --.

Q Up until the time he left?

A Well up until the time the meetings actually stopped. Once developments got underway real well, like mid '69, we didn't have any more meetings with him. We saw him occasionally but no specific meetings.

MR. MARTLAND: Thank you. I have no further questions.

MR. CRUMP: Thank you, Mr. Martland. I should say at this point, gentlemen, that if anyone here, who is not represented by counsel, have any questions they would like to raise, they should speak to Commission counsel preferably at the break. So before we have re-examination by Commission counsel, I think we'll take our normal 15 minute break at this time.

(Hearing adjourned at 10:49 a.m.)

2-Gans-1

Leonard Lawrence Gurel - Stevenson Re.Ex.

MR. CRUMP:

Have you any re-examination, Mr

Stevenson?

MR. STEVENSON - RE-EXAMINES THE WITNESS:

Q Yes, a couple of questions have been put to me. Mr. Gurel, who provides natural gas services to the Town?

A Plains-Western.

Q And that is under a franchise?

A Under a franchise agreement, yes, approved by the Public Utility Board.

Q And is there any cost involved to the Town or any income involved to the Town in connection with the franchise?

A Yes, we do get a percentage of income plus the normal tax rate that would be applied against the assessment.

Q But there is a tax on their service --

A Yes, yes.

Q In connection with the -- are there any special considerations given to the Health Unit?

A In Grande Cache?

Q Yes?

A Well there was to the Health Unit in 1971 I believe it was, or 1970, when we had, unfortunately I can't think of the medical termination, but we had head lice, and the Department of Health I believe it was provided extra funds to the Health Unit to provide for the cost of exterminating them in Grande Cache.

Q Who operates the Health Unit?

A The Edson Health Unit, it's -- we are in the Edson Health Unit.

Q There is no direct cost to the Town?

2-Gans-2

Leonard Lawrence Gurel - Stevenson Re.Ex.
- Patching Ex.

A Not in this -- well there might have been a very very small cost for some antibiotics, but I can't recall that. The major portion of the cost was borne by the Provincial Government.

Q Generally does the Town pay for the Health Unit servicing?

A Yes, we are the same as every other municipality. We pay our share per capita to the Edson Health Unit.

Q And that is the standard provincial operation for those services?

A Exactly.

Q Whether you pay your own costs or not you don't know, and you don't concern yourself?

A That's correct.

Q Was any special consideration given to the Alberta Government Telephones?

A Special consideration to them?

Q Yes?

A No.

Q Mr. Gurel -- no, I think those are all the questions I have. The Commissioner will have some questions.

MR. CRUMP: Mr. Patching, have you any questions of the witness?

MR. PATCHING EXAMINES THE WITNESS:

Q Perhaps you could tell us, Mr. Gurel, what restrictions there are in building in Grande Cache?

A We have adopted the National Building Code for building construction in Grande Cache.

Leonard Lawrence Gurel - Patching Ex..
- Graham Ex.

Q So all housing must be according to National Building Code?

A That's correct.

Q Would it be possible for someone who is not a McIntyre or Alberta Power employee to come into Grande Cache and build a house of his own design as long as it's acceptable under the Code?

A Oh yes, as a matter of fact we have a number of homes like that. Some of our teachers have built homes in Grande Cache, some of our Town employees, the hospital administrator and the director of nursing at the hospital have houses, privately built houses.

Q Can any homes be built outside the Town limits in that area?

A No, that would be up to the Department of Lands and Forests, but up until this time they are not allowing any development like that outside in the I.D., in the proximity of Grande Cache. Now this is excluding the native population, of course.

MR. PATCHING: That is all I have.

MR. CRUMP: Mr. Graham?

MR. GRAHAM EXAMINES THE WITNESS:

Q The only question I would like to ask is the forgiving of the business tax for the businessman in Grande Cache, this was a consideration based on the drop in population largely?

A Definitely, and that was the only consideration was the fact that there was -- the people to purchase goods had gone down significantly so we felt that we should provide some relief to the businessmen.

MR. CRUMP EXAMINES THE WITNESS:

Q I have one or two questions in the light of clarification. The funds advanced under the New Town legislation by the Province to the Town you, under the New Town Act as I recollect, you're responsible for the interest. Is that a separated interest or is it a variable rate?

A The rate of interest that the Provincial Treasurer charges on those advances is based on the rate of interest charged by the Alberta Municipal Financing Corporation in the particular year in which the borrowing is made. So it varies. We have it down from 5 percent in 1966-67, in that time, up to 8 and I think $8\frac{1}{2}$ percent, as high as that. So yes it's variable depending on what A.M.F.C. charges.

Q As I recollect the evidence given in Grande Cache, I think you were present there, there is about roughly half of the interest at deficit this year?

A Oh, no, the deficit is 58,000 but the total interest that we are paying this year amounts to over a quarter of a million dollars.

Q But there is 50,000 deficit on the interest?

A Well, that's where it really applies to, yes.

Q Approximately?

A Yes.

Q Thank you. Another point you mentioned that you sold the land in the townsite at almost the developed cost. Later on I have a note that in Phase 3 you sold lots for \$60 a front foot, and

Leonard Lawrence Gurel - Crump Ex.

they cost you about \$70 a front foot for development. So that would be the ratio of the almost.

A That's right, that's right, in that area.

Q Have you any information, you made the statement that the assessment on the mine had previously been nine million dollars, and that it is now four million. Can you tell us how that came about, that's over 50 percent in reduction?

A Yes, the initial assessment was done from newspaper reports, I guess that's the easiest way to describe it. The assessor for the Provincial Government who does the assessment on industries of this type, endeavored to inquire information as to the development cost of the mine itself from McIntyre, and after repeated letters, and I am reporting this on a basis of second-hand. I got this from the assessor directly.

Q All right.

A Without a response to his inquiries he was faced with a deadline of providing an assessment on the plant, on the whole development. So he took the newspaper accounts of how much had been invested in the mine and taking that as being applicable to the mine only, and then went out and viewed the site and determined his own ratio between buildings and equipment, and arrived at an assessment based on that total investment.

The company then subsequent for the first year didn't appeal that assessment, but they did appeal it the second year, and they hired, I believe it was Hu Harries & Associates, to do an examination or a study on it, and after the study was completed they presented it to the Court of

Revision, and where it indicated that this investment included many things, like the money that was spent in B.C. at the port, like the money that was spent on the housing development in the town, and so on; so when it was all finished the end result was that the assessment for the mine itself should have just been, just over four million -- I believe it's four and a quarter million or something like that, but that was the reason for the reduction.

Q That then is a matter of record in the Court of Revision?

A Oh yes, yes, there is a large report on it.

Q I would like to be sure I understand this situation about the highway through the Town. From my notes and your evidence would indicate that the Department of Highways designed the highway through the Town?

A Well, they built the original highway which was, you know, with the ditches and so on, yes. That was built by the Department of Highways right through the Town to the bridge.

Q Now having in mind, of course, that this is a branch line from the main highway and dies at Grande Cache, you have also stated that the Town requested those service roads that we saw?

A The Town built them, yes.

Q The Town built them and paid for them?

A That's correct. We lowered the highway that was originally built. It was built to highway standards with the ditches and all. We then had to lower it to conform with the development on both sides, and when we lowered it we also built it to the

four lanes with the service road in anticipation of something happening in the future.

Q That was anticipation of the future because the highway does not go beyond Grande Cache, and these are very expensive service roads and must have added a great deal to the cost?

A There was some additional cost but the amount of difference we felt was not that great if the road in fact were to go beyond it, and would mean redoing the whole development afterwards.

Q You don't have the additional costs of course?

A No, I don't have the exact figures on it.

Q MR. PATCHING: May I ask if the extension of the highway passed the Town itself down to the bridge at the river was done by the Town, or is that being done by the Department of Highways?

A Oh, the Department of Highways built the original road right to the bridge, right to the river, and the bridge.

Q MR. PATCHING: And they have provided the hard surfacing on the road recently as well?

A I believe, I haven't been down there. I assume it was the oiling they did just recently on that road. We didn't do it, the Town didn't do any of that.

Q Only one other question, Mr. Gurel, the hotel developers were not regulated as to the number of rooms in their structures, but I assume that you had some general regulations as to an acceptable form of the motel and hotel?

A Well, for the hotel itself the size was proposed by the

Leonard Lawrence Gurel - Crump Ex.

developers so we had, and as long as it met the Liquor Board's requirements we were happy. So we accepted on their proposal. They didn't come to us and ask us what we wanted. They made the proposal and said it was going to be that size of hotel, and we said fine. And as far as the motels were concerned again it was their proposal to come to us.

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A. Woronuk - Stevenson Ex.

MR. CRUMP: Thank you, Mr. Gurel, I have no further questions, you can step down.

Mr. Stevenson?

MR. STEVENSON: Mr. Chairman, I am going to call a witness out of order now because he happens to be here and he may fill in some of the questions that were raised earlier, Mr. Woronuk, who is the developer of the shopping centre.

MR. CRUMP: Oh yes.

ALEX WORONUK, sworn, examined by Mr. Stevenson:

Q Mr. Woronuk, I understand that you were involved in the development of both the hotel and the shopping centre mall complex in Grande Cache?

A Yes sir.

Q Now, there has been some question about the arrangement between you and the Town with respect to the type of development that was to go into the mall with respect to the income you might expect. Was there some agreement or negotiation with the Town in that regard?

A There may be. I am not really aware of any definite prescribed percentage. There has been a discussion Mr. Chairman at times with the Chairman of the Town Board and so on about returns, not to be excessive, but, at the same time we were not expected to put a construction of a size of hotel or a shopping centre in Grande Cache and not expect to have a fair return. We had discussed 14 or 15 per cent, if I recall correctly, at one time

3-LP-2

A. Woronuk - Stevenson Ex.

A (continued) or another but I honestly and, I am only speaking from memory because I didn't come here prepared, I was only an observer, I do not recall any 4 or 5 per cent net return to us because I can do a lot better with my money anywhere than in Grande Cache.

Q There may have been a discussion of 14 or 15 per cent?

A Yes, I distinctly remember that discussion taking place in regard to the supermarket, at the time that we were going to build the supermarket.

Q And has the operation returned that kind of income?

A I can assure you it has not; nor the four or five per cent either.

Q In connection with the development of the hotel was the size prescribed in any way by the Town to you?

A No, not the Town itself.

Q By anybody?

A No, other than to abide by the liquor regulations.

Q And when you designed the hotel and the shopping centre and let contracts for them, what information did you have as to the projected population and where did you get it from?

A Our original discussions were with the government and subsequently with the Board of which they had the Administrator, Mr. Gurel. I believe that the impression we had that the Town would have approximately 6,000 people by '73.

Q Where did you get that from, do you know?

A I am sure that was in our discussions with Mr. Gurel and the

3-LP-3

A. Woronuk - Stevenson Ex.

A (continued) Board.

Q Did you deal with anybody else in the government that you can name?

A Yes, I have had discussions with one of the ministers, to some extent, and that is how we originally came upon the idea of building a mall. It was to be a new concept of a town, a new model town, not to go back to the old type of towns that were built in the early '20's and prior to that, this was going to be a brand new town and they suggested strongly that if we were building a shopping centre perhaps with a mall and, that is the new idea today, let's build it right. They were certainly going to do their share of the building of a modern town with proper streets and street lighting and so on and we were to do the same.

Q Were you given any population estimates by a minister?

A I think he may have mentioned also in the neighbourhood of 4,500 to 6,000.

Q Which minister?

A Minister of Mines and Minerals.

Q The then Mr. Patrick?

A Yes sir.

Q And your discussion with The New Town would have been largely with Mr. Gurel?

A Yes, and his Board.

Q And as far as you are able to say today, you have no record of any firm agreement or no recollection of any firm agreement

Q (continued) restricting your return on investment?

A I honestly can't recall this four or five per cent.

Q But certainly 14 or 15 per cent was discussed?

A Particularly when it came to the third stage or, let us call it the second stage, the third stage was the addition of the mall, the second stage was really the shopping centre or, the super-market.

Q Are there a number of vacancies in the mall?

A Yes, there are.

Q To what extent, what percentage?

A We have four empty bays, we have five empty bays, one of course is vacated by McIntyre Porcupine themselves since they closed or started to close off, to cut down on the costs but I believe they are still responsible for making the payments, although they are behind.

Q How many units are there altogether? What does that represent in terms, Mr. Woronuk?

A We have 23 bays available in the entire mall out of which, at the present time, if you count the one that is still under lease to McIntyre, five are empty, three of which have been vacated by one tenant who went into receivership.

Q When did that happen?

A That was last fall, last summer.

Q That is before the --

A Before the closing.

Q Before the mine --

3-LP-4

A. Woronuk - Stevenson Ex.

- Graham Ex.

R.R. Erickson - Stevenson Ex.

A Before the mine started to release a lot of the people.

Q Those are all the questions I have, Mr. Chairman.

MR. CRUMP: Thank you. Mr. Martland, have you
any questions?

MR. MARTLAND: No question, Mr. Chairman.

MR. CRUMP: Any questions?

MR. PATCHING: No questions.

MR. CRUMP: Mr. Graham?

MR. GRAHAM EXAMINES THE WITNESS:

Q This firm that went into receivership, that was done prior to
the layoffs?

A Yes, it was, definitely.

Q So it was just a question of ordinary failure of business?

A I would think so. Mismanagement more than anything else
perhaps and undercapitalized.

MR. CRUMP: I have no questions, Mr. Woronuk,
you may stand down.

MR. STEVENSON: Thank you.

A Thank you.

MR. STEVENSON: Mr. Erickson.

ROY RONALD ERICKSON, sworn, examined by Mr. Stevenson:

Q Mr. Erickson, I understand that you are the Deputy Director of
the Provincial Planning Branch, is that correct?

A That is correct.

Q And there is also in the government an operation described as
The Provincial Planning Board, is that correct?

3-LP-5

R. R. Erickson - Stevenson Ex.

A Correct.

Q And I take it your Director and you in your Deputy capacity would be members of The Provincial Planning Board?

A No. The Director is executive member of The Provincial Planning Board. The Deputy Director position does not have voting authority on the Board.

Q You stand in place of your Director but you don't vote?

A That is right.

Q And you are with the Planning Branch of the Department of Municipal Affairs?

A That is correct.

Q And I understand that your Department provides professional planning staff to The Provincial Planning Board?

A This is correct.

Q They don't have a planning staff of their own?

A No. They don't.

Q And what is your experience in planning, Mr. Erickson, personally, how long have you been employed in planning with the Provincial Government?

A I have been directly employed with the Planning Branch which was not always with Municipal Affairs, it was with Public Works originally. I have been involved with this branch for 25 and a half years.

Q With this particular branch?

A Yes.

Q Before its move to Municipal Affairs and since its move to

Q (continued) Municipal Affairs?

A Yes, that is correct.

Q And what is your training background, is it within the Department?

A Largely, also university education and writing exams for membership in the Town Planning Institute of Canada.

Q Of which you are a member?

A I am, yes.

Q Now, so that we can see, Mr. Erickson, what information you had within your Department, let me go back to 1965. I understand that the Alberta Resources Railway was announced in early 1965; you are aware of that?

A Yes, correct.

Q Prior to its announcement had your Department had any involvement with an assessment of its feasibility at all?

A No. I would imagine when you say my Department, you are referring to our branch?

Q The branch, that is right?

A No, none at all.

Q So that there would have been no communication between your Department and McIntyre Porcupine, for example, prior to the announcement of the Alberta Resources Railway?

A No, I don't believe so, although there had been contact with, I believe it was an exploration company doing work for McIntyre, or it may have been directly been done by McIntyre some couple of years earlier, with regards to exploration only.

Q You didn't look into the question of feasibility of development

3-1P-7

R. R. Erickson - Stevenson Ex.

Q (continued) or anything like that?

A No, none at all.

Q They wanted basic information?

A They wanted maps and things like this.

Q Had the Planning Branch done any study of the resources of the area then, prior to the announcement of --

A None at all.

Q So that any studies or reports or contact from the point of view of feasibility must have been without your Department or your Branch?

A That is correct.

Q Now, when did your Department first become involved in any planning for The New Town of Grande Cache?

A It would have started actually almost immediately after the announcement of the railway but not directly related to the Town as it finally was developed. It would have been, in attempting to get or collect background material for the development of the region or the possibility or prospects of the development of the region, and attempting to get basic information from mining companies and various other companies that held timber and pulp leases in the area, and this type of thing.

The actual planning for the Town would have commenced, I think, early in 1966 and again, this was preliminary work in the selection of town sites and at least selection of land that would be suitable for a town site.

Q Now, in this Commission we have already had entered Exhibit 16

R. R. Erickson - Stevenson Ex.

Q (continued) which is a report prepared by the Provincial Planning office, Department of Municipal Affairs, is that your report?

A This is a report of our branch, yes. I might say it is a report prepared by our branch on behalf of the Provincial Planning Board.

Q For the Board?

A For the Board.

Q And it was the Board that submitted this report to the Provincial Cabinet?

A This is correct.

Q But it was prepared by your departmental staff?

A This is right.

Q And had there been any study of a feasibility nature with respect to the economic feasibility of a town or the development of a town in the Grande Cache area prior to your Department receiving instructions, or your office receiving instructions that led up to this report?

A Not actually a study, however, there was a previous report prepared immediately after the announcement of the development of the Resources Railway in which we did an analysis of the known potential for development in the area and also reported to the Board some of the concerns or implications that the development of a railway and development of resources in the area could have.

Q Did that study get down to such things as estimating populations?

A That study?

Q Yes?

A No.

Q That study summarized what resources were in the area and what the implications were for long-range planning, would that be a fair statement?

A Yes, that would be a fair statement.

Q Now, when we come to the study that was done with respect to Exhibit 16, do I understand that the Board instructed the Branch or, your office, to conduct some sort of study to lead to a report on the possibility of the development of a town? What would the frame of reference be?

A Yes, we had carried out some very preliminary investigations to try to determine really what was happening because information was practically non-existent as to the -- as far as we were concerned it was non-existent as to the intentions that either the railway proposal had or the development of McIntyre Porcupine had or any other company, and as a result we had done some very preliminary investigations to try and get some information.

This was reported to the Board and it was at that time the Board gave us instructions to proceed with the preparing of this study.

Q And what was reported to the Board I gather was not formally recorded in any way?

A I believe there may be in the Board minutes, there may be a reference to it. It is in my brief.

3-1.P-10

R. R. Erickson - Stevenson Ex.

Q Yes, you showed me that minute; perhaps you could give it to me. Wednesday, July 20th, 1966, is that the right date?

A That would be it, yes.

Q And at that point there was a discussion or a preliminary report which I gather was not in writing, made to the Board?

A No, it was in writing -- well -- it was not presented to the Board in writing, no, it was presented I think, verbally to the Board at that time by the Director, by the Provincial Planning Director.

Q And the minutes record that the Chairman stated that "in his opinion that if town site appeared eminent -- " and I suppose that means "imminent", "-- that new town status should be recommended at an early date", and was the report that we have, Exhibit 16, prepared following that instruction?

A It was finalized following this with the added information we were able to get from both McIntyre Porcupine and other government departments as well.

Q And were you undertaking a study as to whether or not to make a recommendation that there should be a town or just what was your study amounting to?

A It was, I think, all based on the fact that there should be a recommendation as to whether a town should be considered, should be established under The New Towns Legislation, yes, with respect to this.

Q And in carrying out that instruction were enquiries directed to McIntyre Porcupine Mines Limited?

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R. R. Erickson - Stevenson Ex.

A Yes they were.

Q And do you know who the contact was at McIntyre Porcupine at that time?

A Yes, to Mr. Price.

Q To whom we have already heard reference?

A Yes.

Q And the report itself gives projections for employment, labour force coal mining, do you know what the source of that information was?

A Yes, this was from Mr. Price, these were estimations that he said the company had made for this stage of their mining operation. It was, of course, all contingent upon signing the contract for the sale of the coal to the Japanese.

Q Were negotiations then underway, as far as you knew?

A As far as we knew they were, yes.

Q And the estimated numbers of employment, 700 in 1970, 900 in 1973, and ultimately 1,160 would have been obtained in that way?

A Yes, that is right.

Q And was there any attempt made by your Department to get any kind of commitment from McIntyre Porcupine as to their employment prospects or was it just this kind of information that you obtained?

A I can't really say because Mr. Stagg who was, at that particular time in the position I now hold, carried out the initial discussions with Mr. Price. It was our normal practice to attempt

A (continued) to get some commitment in writing. We also wrote to other companies that had interests in the area, pulp companies and lumber companies and so on, asking for their projected proposals for the area.

Q There is no record of a written commitment or assurance from McIntyre that you are able to find?

A None that I have found on the files, no. There is written reference in a memo, apart from that report, on the file referring to having had a meeting with McIntyre Porcupine and that these were the figures that were given.

Q And this would be a meeting with Mr. Price also?

A It doesn't say in the memo but I assume so because at that particular point I don't believe we had contact with anyone else.

Q Did you have contact with Mr. Price at some point?

A Yes I did.

Q While this report was being prepared?

A No, I think it would come just after this.

Q Why would that come about, Mr. Erickson?

A At that particular time I was in charge of planning for that particular area of the province and it came to the point, once The New Town was established, that certain site investigations and planning had to be carried out and I was seeking more information and I think a little firmer information on whether the mine operation would require people living at the mine site particularly. What I was trying to determine was if there could

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R. R. Erickson - Stevenson Ex.

A (continued) be some problems involved in having people resident at the mine site so that their children and one thing and another would have to be bussed to school, also whether those total figures they had given, we could consider them all living within the town site of Grande Cache.

Q And could you?

A Yes, this was assured that all the permanent employees would be living within the town site of Grande Cache.

Q Was it then considered whether or not they would be residents in the sense of occupying dwellings within the Town or whether they would be occupying camps or transient sites?

A Yes, the permanent employees, we were told, would be living in permanent residence within the Town. The construction people during the construction phase would live elsewhere in camps.

Q And the figures that you used were based on permanent employees?

A That is right.

Q And there was a projection made within your Department, for example, for 740 employees, there would be required a service employment of 185. Is that a ratio that is built up from experience elsewhere?

A This is correct, we tried to use other communities, particularly in Alberta at other remote parts of Western Canada with similar types of enterprise and use an average in this respect.

Q You moved very quickly, the request for the report I gather was in the minutes of July 1966 and this report, the recommendation, is dated August '66?

A We put in a lot of long hours.

Q Did you have any information as to how firm the other parties, that is the other departments of government and the company were to developing the mine site, that is, had decisions been made reflecting your operations?

A Yes, we had had contact certainly with the Department of Mines and Minerals at that particular point and other departments, but particularly Mines and Minerals who was, I think, our main source of information on government commitment, permission to proceed with the mine operation and so on, and we were informed that the permission to operate was more or less a formality that would be hinged on the signing of the contract for coal sales.

Q Did you make any estimates, calculations or projections as to what minimum population would be necessary to justify planning a town site?

A Not too much at that particular stage because we were unable to get really much information as to the incomes and this has quite a bearing on what sort of minimum population would make a viable community. The fact that it was a remote area had quite an effect on this too. I do recall we had much discussion about this and we had some concern that the population would have to be in the neighbourhood of 4,500, 4,000 to 4,500 to come close to a viable community.

Q But you didn't get into the economics of it?

A No, it was really impossible to do at that time because we didn't even have estimates as to the costs, firm at least, we

A (continued) had estimates based on experience from other new towns which were reasonably similar but certainly couldn't be tied down.

Q Was there some anxiety to get the report in?

A Yes there was, as a matter of fact we were being requested, I believe is the word I would use, requested to get the report in so that it could be considered by Cabinet.

Q Would it be fair to say that recommendations made within the Branch were predicated largely or primarily on the mining operation as distinct from the other things that are mentioned here?

A Primarily, yes.

Q For example, was there any sort of feasibility study done on the prospects of pulp mill operations or logging operations?

A Yes, the companies were contacted by letter and we did I believe also interview officials of the various companies and we received estimates from them of the people that they would likely involve if they were to go ahead and develop, but certainly no commitments from any of them.

Q Because you prefaced the pulp mill and thermal power plant as possible?

A Yes, that is right.

Q So, you got figures from them but were you relying on them in making your recommendation?

A Not really, no.

Q Was there any study done on the feasibility of tourism?

A Very little, because primarily there was just no information available. We certainly looked at it and it was one of the things that we recognized ourselves as having potential but there was no way we could attach figures or people or anything else.

Q Did it form any significant part of your recommendation?

A Not at that time, no.

Q At the time this report was being prepared, within the Branch, was there concern about whether or not the actual development, coal mining development would go ahead?

A Yes.

Q Were your staff involved in making the actual recommendations contained in this report to the Board?

A Yes, I believe Mr. Stagg was in attendance at the Board meeting and for the purposes of explanation as well.

Q What factor would lead, if you can answer this, what factors would lead to a decision as to whether or not the town site planning, the actual physical planning, would go ahead? How would a decision be made?

A Well, it would be a decision, I think, of our Director to do preliminary work. Certainly the detailed planning work would be on instruction of the Chairman of The Provincial Planning Board.

Q I gather that you in fact did not become involved, your Department did not become involved in the actual planning of the Town?

3-LP-17

R. R. Erickson - Stevenson Ex.

A Yes we did.

Q To what extent?

A To the detailed site planning, physical site planning.

Q In conjunction with the administrators?

A Yes.

Q And at some point they took over the actual --

A The implementation of the plan, yes.

Q How long then was the involvement of your Department?

A Well, you might say we are still involved because we are still the planning advisor to the Board of Administrators and it is on their call or request that we do certain things for them.

Q And at some point was it decided to proceed with detailed planning?

A Yes. Primarily this decision, I think, was made at the time the announcement was made at the signing of the coal contract.

Q What did you understand the coal contract to be?

A It was a 15-year contract, the actual tonnage I am not just too sure of right now.

Q And was that announcement made directly to your Department, or instructions given directly to your Department?

A No I don't believe so, I think the public announcement was made first but, of course, we received instructions within a day or two that it was official and we were to proceed.

Q That is the announcement of the 15-year contract with the Japanese?

A Yes.

Q And you knew it was being negotiated?

A Yes we did.

R.R. Erickson - Stevenson Ex.

Q And had you, would you have had contact with Mr. Price during this period of time?

A Yes, we certainly did during the preliminary planning work that we did. We did preliminary townsite designs even, because the Department of Highways were also looking at a route for the road and, therefore, we had to work closely with them to do preliminary design of the townsite so that it could be coordinated with what they were doing. Also Alberta Government Telephones were placing facilities in there and we had to try and work out a location for their sites and so on.

Q At any time, while you were involved, was there any indication from Mr. Price, or anyone else on behalf of McIntyre Porcupine, that the employment estimates that had been given earlier should be revised or changed in any way?

A No, not during the stages of planning of the Town, no.

Q Was it given to you at any time?

A Well, I think fairly recently in a secondhand sort of way we've got word that because of going into, or switching over to a strip mining operation to some extent that there might be a reduction or, in actual fact, there wouldn't be a reduction in numbers, but that the projected numbers would not be as great as what originally had been estimated.

Q And your original estimate had been based on permanent employees?

A Yes, it was.

Q You told me that there was some indication of other prospects of development, other kinds of things that might go into

Q (Continued) supporting a town. Can you say which, if any, of those factors did enter into your consideration, or was it essentially a mining operation?

A Well, at that particular time, I believe it was MacMillan Bloedel were considering a pulp mill operation in the general Whitecourt vicinity. Some of their pulp holdings, I seem to recall, extended into an area fairly close to Grande Cache. In discussing this with the representatives of MacMillan Bloedel, they seemed to indicate that if they went ahead, some of their bush operations, as they call them, this would be the bush workers, pulp cutters, and so on, and trucking people, might be located in Grande Cache if a town were located there, because it would be more convenient to the pulp cutting areas.

Q Were you satisfied that the Town could be recommended as viable prospect on the basis of McIntyre's projections alone?

A Yes, I think with the qualification that it was still a one industry town and this has an element of risk in it.

Q You were aware of that?

A Yes, right.

Q And were you aware of the kind of mining operations that McIntyre contemplated conducting?

A Yes, not too much detail at the time this report was prepared, but certainly after that and before the time that the initial planning --

Q What kind of planning was being contemplated?

A This was underground mining.

Q Did it make a difference in your concern, in your considerations as to what kind of mining it was?

A It would indirectly in that a strip mining operation, I understand, employs fewer people per ton produced, although I'm not, I'm only quoting hearsay on this, but also the fact that we also understand the wages paid to surface workers is somewhat less than underground workers.

Q And did you consider that it would affect the nature of the employee with permanency?

A It could have this effect, yes, because equipment operators in a strip mine are basically the same type of equipment operators that might work on road construction and, therefore, might be a little less permanently located in one area because of the availability of jobs for them.

Q Now, do you have any, in your investigation of government files, have you uncovered any records of commitments that might have been given by the government, other than as it's been indicated so far, that is, that we're going to build this Town, or we are going to improve the Town, is there any record of any promise or assurance given by the government to McIntyre or --

A No, other than commitments on building of the road and the hospital and so on.

Q Which come through other departments?

A Right.

MR. STEVENSON:

Those are the only questions

I have other than I would like to see the 1965 report for a second before I discharge you, but I think those are the only questions I have. You can proceed with Mr. Martland or yourselves and I'll just check these documents.

R.R. Erickson - Martland Ex.
- Stevenson Re-Ex.

MR. CRUMP:

Mr. Martland?

MR. MARTLAND EXAMINES THE WITNESS:

Q Sir, other than discussions with Mr. Price, from McIntyre Porcupine, did you have any discussions with anybody else from McIntyre?

A Yes, there was, not myself, personally, no. There was contact, there is record on our files of contact with a Mr. Bonnell, who is a research geologist. This was with regards to, I believe, the type of mining that would be carried out only, and the record on the file doesn't really state what information was given.

Q It was your evidence that the projection as to the number of McIntyre employees came from the McIntyre company?

A Yes, well it certainly came from Mr. Price, so I have assumed this, yes.

MR. MARTLAND:

Thank you.

MR. CRUMP:

Any further questions, Mr.

Stevenson?

MR. STEVENSON RE-EXAMINES THE WITNESS:

Q Mr. -- I just had a chance to check these documents. Mr. Erickson, I noticed that a memorandum is among your files from Mr. Stagg, who was the senior planner to Mr. Dant, who was then the provincial planning director, dated March 16th, 1965, and I take it that this led to some, the report that you mentioned earlier, that the Provincial Planning Board had done in connection with the new railway line?

A Yes, the report that was presented to the Board and the Board presented to Cabinet was based directly on this memo.

Q And I take it, you can correct me if I'm wrong, that this was an attempt, that the purpose at this point was to then start some studies to deal with development problems in the area?

A Yes, at this point, as I mentioned before, there was very little information available on anything, really, on the intent of the railway, on the intent of the mining, what was being done, and we could foresee the problems that would be coming up if we were not able to get information. We would suddenly be asked to develop a new town when it was a required entity.

Q Yes, the point is that as of March 16th, 1965, your department had no information with respect to proposed resource development or any representations with connection, with respect to it?

A This is correct, yes.

Q Mr. Stagg says: "In making this report, I have to indicate that from most provincial departments' point of view, the proposal is still surrounded at the moment by a mystery of King Solomon's mines proportions that our initiative in moving into the unknown is appreciated." That indicates that there was nothing done before?

A This is right, yes.

Q And this is the proposed railway and it's a summary of what information the department did have?

A We were able to pick up, yes, right.

Q And the only reference to coal is that there is some there?

A Yes.

Q I am not doing an injustice to Mr. Stagg when I say that.

R.R. Erickson - Stevenson Re-Ex.
- Crump Ex.

A No.

Q And you were recommending, or at least Mr. Stagg was recommending, that there be some overall coordination of development in the area around the railway?

A Yes, that's right.

MR. STEVENSON: Those were all the questions that I had intended.

MR. CRUMP: Mr. Graham, do you have any questions?

MR. GRAHAM: No.

MR. CRUMP EXAMINES THE WITNESS:

Q I would just like to clear up, Mr. Erickson, the chronology of these reports, if I may. Now this last report that Commission counsel showed you was a preliminary report in your own department, as I understand?

A It was a report prepared for the Provincial Planning Board. The memo that counsel just showed me was a memo of report to, from our branch to the Provincial Planning Board. Subsequent to that a report was prepared for the Board to present to Cabinet based on this.

Q Well, now, let us designate that as a memorandum and the other a report?

A Yes, right.

Q In that case, I have a note here that the method, that the study or the report for this trial was done following an A.R.R. report. The A.R.R. study report had been done first?

A This was after the, after the announcement, I believe, yes.

R.R. Erickson - Crump Ex.
- Stevenson Re-Ex.

Q After the announcement?

A Right, yes.

MR. STEVENSON: Perhaps I could clear this up, sir. We have marked as Exhibit 16 the specific report dealing with the townsite of Grande Cache. That's August of 1966.

MR. CRUMP: August 1966, Mr. Stevenson?

MR. STEVENSON: Yes, yes, and that's the one that Mr. Erickson told us about in some detail.

A Yes, right.

MR. CRUMP: What exhibit number is that?

MR. STEVENSON: It is 16.

MR. CRUMP: And what is the date of the memorandum?

MR. STEVENSON RE-EXAMINES THE WITNESS:

Q The memorandum relating to the proposed railway line is March 16th, 1965, and, Mr. Erickson, that follows the announcement by the provincial government that they are considering the construction of a new railway line?

A Yes, that's correct.

Q And so that the information is clear on this, following March 16th, 1965, a report was in fact made to the Lieutenant Governor-in-Council respecting railway services to resource development areas?

A This is correct.

Q And that report is dated April of 1965?

A Yes.

Q And at the time of that report, your department had no

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R.R. Erickson - Stevenson Re-Ex.

Q (Continued) information, your department had no information with respect to what McIntyre Porcupine's plans were?

A I would have to qualify that again by saying our branch, because --

Q Your branch?

A -- I am not aware of what information our Minister might have had or our Deputy Minister and so on.

Q As at the time that the Provincial Planning Board reported in April of 1965, there is an attempt to summarize what resources are available and what development might be expected?

A Yes.

Q And that's what this 1965 report is directed towards?

A This is correct.

Q And under the heading of "Minerals", the only reference to coal is on, is in that report at the point that I am pointing out, --

A Yes.

Q -- I can't identify the page number, --

A That's right.

Q -- which says: "The most attractive results of a railway service to the northwest of Hinton would be the fact that the large coal deposits shown to exist would then be capable of extraction. It would at this time have to be assumed that the coal would be taken out of the region as is and converted to coking uses or other purposes elsewhere." and presumably that's the only information that your department had as of April of 1965?

A Yes, I think this was primarily based on information in press

A (Continued) release that the provincial government made when they announced the railway proposal.

Q And in connection with tourism as of that time, there is no specific information except to recommend some creation of a tourist facility?

A Yes, right.

Q And in a further portion of the report, it says, "The proposal in essence is to provide a railway spur from Solomon nor'westerly towards Muskeg River with a view to allowing economic extraction of coal and timber products in the area. The ultimate linking of this line to Grande Prairie would be a matter for further consideration on the basis of need and economic viability." Now, there is no indication again that your department had any background information in this respect?

A No, none whatsoever.

Q From McIntyre or anybody who might be developing the coal?

A Right.

Q And then you do go on to say "That construction and operation of mining camps will occur if the Sheep Creek or Wild Hay River coal deposits are exploited." That's what it says. "In conjunction with the operation of the mines, housing and social facilities will be required for employees and their families." Again, no indication of any background to that within your files?

A Right.

MR. STEVENSON:

Have I put that timing back into

perspective, sir?

MR. CRUMP:

Thank you, Mr. Erickson. You

Frank John Holubowich - Stevenson Ex.

MR. CRUMP: (Continued) can stand down.

A Thank you.

(Witness retires)

MR. STEVENSON:

Mr. Holubowich.

FRANK JOHN HOLUBOWICH, sworn, examined by Mr. Stevenson:

Q Mr. Holubowich, I understand that you are the Assistant Director of Minerals for the Department of Mines and Minerals for this province?

A That is right.

Q And how long have you held that position?

A Since October 15th, 1971.

Q And prior to that time, what was your position?

A My position prior to that time was the Supervisor of Revenue for the Department.

Q How long have you been with the department?

A Nineteen and a half years.

Q And it's within your purview now, your responsibility now, to maintain the recording of, among other things, coal leases? That's done under your department?

A That is right, sir.

Q Now, I have asked you to provide me with a history of the permits held by McIntyre Porcupine Mines Limited with particular reference to the area which is now being mined, and I wonder if you could outline these permit holdings, or lease holdings, starting in the 1960's. We don't need to go back to the original holdings.

A Yes, I have here a summary that I have prepared for the benefit of the Commission. In addition is a supplementary by

Frank John Holubowich - Stevenson Ex.

A (Continued) sketches, which I would like to file with the Commission for its use. I have two copies for the Commission which I will --

Q Now, I think so that we can follow this, how many copies of these maps are there?

A There is one copy of each map.

Q Which one do you, which one do you need?

A Exhibit 1, I have my own copy of Exhibit 1, and I wish to file those for the benefit of the Commission. Exhibit 1 is in two parts and Exhibit 2 is in two parts because of the geographical makeup of the area. It would have been too unwieldy to prepare it in one sketch.

Q So that we've got this in, Mr. Holubowich, we will mark what you call Exhibit 1 as Exhibit 19.

SKETCH MARKED EXHIBIT 19.

A In addition, I have the summary of coal leases held by McIntyre Porcupine which I have prepared and am prepared to file with the Commission as an additional exhibit.

Q MR. STEVENSON: Yes, I think that I'll hold this for the moment because I may have to go through that, to follow the maps. Now, we will take what you have described as Exhibit 2 and mark it as Exhibit 20.

SKETCH SHOWING OTHER
MINERAL HOLDINGS OTHER
THAN MCINTYRE PORCUPINE
MARKED EXHIBIT 20.

Q MR. STEVENSON: Mr. Holubowich, I am going to try and get an easel to put those on so that everybody can see them. In the interim, there are a couple of other questions

Q (Continued) that I could ask you a little further down on the matters that I put before you, and then we'll come back to outlining this, would that be all right?

A That will be fine.

Q What is the provincial government royalty for the coal that is taken out by McIntyre Porcupine in these leases?

A Ten cents a ton.

Q And that is the standard provincial royalty for all the coal in the province mined under provincial lease or license?

A That is right.

Q And that is fixed by statute?

A That is right.

Q Section 78 of the Mines and Minerals Act?

A That is right.

Q And can you tell me how that varies from the royalty charged in other jurisdictions?

A I have knowledge of the royalties charged in British Columbia, which is 25 cents per long ton and in Saskatchewan the royalty is 5 cents for a short ton. Other jurisdictions are not available to me.

Q And at any rate that present royalty is fixed by a statute?

A That is right.

Q Now, I take it, Mr. Holubowich, that it is no part of the function of your department to maintain reserve estimates or make reserve estimates?

A That is right.

Q And I take it also that you do not engage in projections of anticipated income from royalties?

Frank John Holubowich - Stevenson Ex.

A Not for coal, no.

Q So that you wouldn't have that kind of information available to give the Commission?

A No, I wouldn't.

MR. CRUMP: Mr. Stevenson, may I interrupt here for a moment to ask the witness a question?

MR. STEVENSON: Certainly.

MR. CRUMP: The provincial royalty of 10 cents a ton, what type of ton is that?

A That's a short ton.

MR. CRUMP: Short ton?

A Right.

MR. CRUMP: Bear that in mind because we're dealing with short tons, metric tons, and long tons.

A Yes.

MR. CRUMP: Thank you.

Q MR. STEVENSON: For the benefit of everybody here, perhaps, you could tell us what a short ton is, Mr. Holubowich?

A Two thousand pounds.

Q And a long ton is 2200?

A Twenty-two hundred and forty pounds.

MR. CRUMP: And a metric ton will weigh?

A We haven't got to that stage of --

MR. CRUMP: Two hundred and forty, I think it is. This is important, Mr. Stevenson, I think, because of the designation of steel qualities -- or quantities.

MR. STEVENSON: Yes, so that we should be clear

Frank John Holubowich - Stevenson Ex.

MR. STEVENSON: (Continued) of what we are talking about, --

MR. CRUMP: Yes, I have a note here on it.

MR. STEVENSON: -- we are talking about one figure throughout.

Q MR. STEVENSON: As far as the provincial government is concerned it is short tons?

A That is right.

Q And I take it, Mr. Holubowich, that your department has not undertaken any studies into pricing, feasibility of development, coal demands, or world coal markets?

A No, we haven't.

Q That's not part of your general operations?

A No, it isn't.

Q Does your department have any information with respect to the proposed development of other resources in the Smoky River area?

A Other than leases issued with respect to other minerals, such as petroleum and natural gas and other coal lease holders and several other minor dispositions of quarrying rights with respect to limestone and materials of that kind, there are no other known minerals that we are aware of.

Q And there is no development in that immediate area?

A No.

Q And as far as you know, the nearest oil and gas development is some distance away at Gold Creek, is that correct?

A Well to the north it would be Gold Creek, right.

Q Yes, would that be the nearest?

A I would have to say that that would be probably the equivalent,

Frank John Holubowich - Stevenson Ex.

A (Continued) as near as Edson would be to the location, I would think.

Q And your department then would have no record of any representation, commitment made by the government in connection with the development of these coal leases other than the leases themselves?

A That is right.

Q And that's the only provincial government obligation that you're aware of within your department is to carry out discoveries of the leases themselves?

A Yes.

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Frank John Holubowich - Stevenson Ex.

Q Now, I understand, Mr. Holubowich, that some of these leases that McIntyre Company now operates go back some considerable time?

A Yes.

Q And for the purposes of our development, the relevant part of our discussion, what point did you pick to start at as outlining the development of the leases?

A I picked the point at about 1965, although in interests of bringing the Commission up to date on the historical acquisition of coal holdings by McIntyre Porcupine I took it back to the date that the initial leases held now by McIntyre Porcupine were issued. That was the date of March the 20th, 1956, and I traced that onward from that point as a historical background to show how the coal holdings have been acquired and at the very stages and how the area has increased insofar as coal rights are concerned to McIntyre Porcupine.

Q Now, you prepared these charts which we have dealt with or we have entered as exhibits. Now with the aid of Exhibits A, I am going to be very careful about this, Exhibit 19A as far as the Commission is concerned are marked by you as Exhibit 1A?

A That is right.

Q And Commission Exhibit No. 19 is marked by you as 1 Part B?

A That is right.

Q All right. Now can you explain to us your development of Exhibit 1 Part A, which is 19A of the Commission?

A On both parts of the Exhibit you will notice an area that is

coloured in brown. These are coal leases in the department numbered 6186 to 6198 inclusive. Now these, this area comprises a total of some 21,446 acres. These were leases that were acquired by McIntyre Porcupine from what I understand was its subsidiary, Blue Diamond Coal Company, Limited who had acquired these -- this area under lease back in about 1932 or '33. Subsequently these leases were -- they were expired in January of 1956 or thereabouts, and new leases were issued for a term of 21 years to Blue Diamond, and these leases are the ones that are coloured in brown on the exhibit.

Q Would they now be held in the name of McIntyre Porcupine Mines Limited?

A That is right, I will try to read this prepared statement and give you a sequential background --

Q I think that is all right because we can then see it on the map.

A Right. The area comprising these leases, as I said, is coloured in brown, and these leases were issued on March the 20th, 1956, in the form prescribed pursuant to the Mines and Minerals Act, and they contain no special terms or conditions.

On November 1st, 1956 an assignment of the leases was registered in the records of the Department, assigning the interest in the leases to McIntyre-Porcupine Mines Limited. They were transferred to McIntyre Coal Mines Limited by a transfer registered in the records of the Department on September 26, 1966. That company transferred the leases to

McIntyre Porcupine Mines Limited by transfer registered on December 30th, 1971.

These leases are currently in good standing and upon expiration on January 30th, 1977 are renewable for further terms of 21 years each upon such terms and conditions as may be prescribed by the Lieutenant Governor in Council.

Q Now, Mr. Holubowich, these are renewable leases on the terms that may be prescribed by the Lieutenant Governor in Council?

A That's right.

Q And that is true of all of these leases?

A That is right.

Q And these expire in 1977 subject to that right of renewal?

A That is right.

Q If we can call it right of renewal?

A Well, it's a right of renewal I suppose based on whether or not the leases are capable of producing, whether or not they are required for mining operation.

Q What kind of conditions have been imposed in the past on renewables of coal leases?

A None that I am aware of, sir.

Q They just carry on?

A That is right.

Q And the power to impose conditions has not been exercised as far as you are aware?

A As far as I am aware there have been no occasions where special conditions would be required with respect to renewal leases.

Q All right, so go ahead, please?

A On January 23rd, 1964, McIntyre-Porcupine Mines Limited made application to acquire under lease the coal rights within an area comprising 7,410 acres adjacent to its existing leases. This area is indicated in orange on the Exhibit.

Q That is Permit 6379 to 6383, or leases, I am sorry?

A Well, 6379, 6380, 81, and 82, and also 83.

Q Yes, which is the small one over in the corner?

A That is right.

Q What were the circumstances under which that application was made? Was there some application made to the Department? Was this posted or what was the situation?

A It was an application that was made to the Department inasmuch as McIntyre Porcupine through its exploratory work had determined that they would need these additional rights either to extend the present holdings and increase the amount of reserve of coal that they would need for their operation, or in addition to that this would facilitate access to their existing leases; and on that basis the additional acreage was granted to them under lease.

Q Was there any commitment made at that time with respect to development?

A Well not any more so than with respect to any other leases. The lessee would determine the point at which it was economical for him to start operations upon --

Q These were granted because they had done some work and they

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Frank John Holubowich - Stevenson Ex.

were adjacent?

A That is right.

Q Go ahead with your resume?

A As indicated those leases are indicated in orange on the exhibit, and these leases were issued on February 27th, 1964. They were granted also for a term of 21 years from that date, and also are renewable as are the other leases.

Q On the same basis?

A That is right. On September the 26th, 1966, coal leases 6379 to 6383, which are the ones indicated in orange, were transferred to McIntyre Coal Mines Limited, and subsequently transferred to McIntyre Porcupine Mines Limited on December 30th, 1971. These leases also do not contain any special terms or conditions.

In 1966 Coal Lease No. 6383, which is the one on the easterly extremity, was amended to include an additional 865 acres more or less, and they were -- these rights were added to this lease because they were either intervening between existing leases or were required to give the lessee access to its existing leases.

Q Again these were granted to the company because of these reasons?

A That is right. The area coloured in blue is the next area that I would dwell on for a moment, and these are leases 6485, 6486 and 6487. And in order to facilitate a continuity of operations in the immediate vicinity of the existing coal

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Frank John Holubowich - Stevenson Ex.

leases held by McIntyre-Porcupine Mines the Department on May 12th, 1966 granted these leases to the company.

Q May the 12th, 1966?

A That is right.

Q And that is the area --

A In blue.

Q -- in blue, which goes along the river or the railway?

A That is right.

Q As well as back into or back in the holdings as well?

A Right.

Q And that was on the basis of what representation to the Department?

A Well, they wanted to also add to their holdings, it was the area -- the area was a continuity of their existing lease holdings and operation and also provided access to their leases, to their existing leases.

Q What consideration was paid on the grant? Was there any -- is there any in coal leases?

A There is no special consideration, no. It's a standard, standard type of lease.

In August, 1968, McIntyre Coal Mines Limited represented that uncertainties existed in the minds of some of the Japanese involved in the coal negotiations that the company's reserves, coal reserves could be inadequate for a long term contract of some three million or more long tons a year.

The company stated that it was hopeful that a definitive contract for the sale of Smoky River

metallurgical coal would be signed by the end of 1968. It also submitted that the tonnages involved in this contract could range from a minimum of one and a half million to three million or more long tons per year.

Q All right, prior to that time had there been any references made to the Department by McIntyre as to the proposal for development or as to their likely contract up to that point?

A Up to that point, no.

Q And this time the Department was advised that there were negotiations for contract for the sale of metallurgical coal?

A That's right, they were underway.

Q And that the company required more reserves in order to satisfy the Japanese interest they were negotiating in?

A That is right.

Q And what resulted from that?

A Well, appreciating that a contract of the magnitude of some three million or more long tons a year would be preferable to one of about a million and a half long tons a year, the Department granted to McIntyre Coal Mines Limited, Coal Leases 6599 to 6613 inclusive.

Q That is all the areas marked in green I suppose?

A That is right.

Q Now, I would like to be clear on this, this additional requirement appears to be for the difference between one and a half million and three million tons, is that correct?

A That is what our files indicate.

Q Please go ahead, Mr. Holubowich?

Frank John Holubowich - Stevenson Ex.

A As the additional acreage appeared to be vital to the consummation of the sales contract, the leases were granted and they contained, however, a clause with a special condition. If I might read that clause to the Commission this might be helpful to you. Clause 16A was embodied in the initial granting of the lease, and it read as follows:

"Notwithstanding any of the other provisions of this lease, if on or before December 31, 1969 the lessee fails to submit evidence that it has entered into a coal sales contract satisfactory to the Minister, the Minister may cancel the lease summarily and thereupon the lease shall be null and void."

Q So that was a special condition imposed on the green leases?

A That is right, sir.

Q And that clause was actually incorporated into the lease?

A That is right.

Q Then what happened?

A Well, on October 31st, 1969, the Department was informed, and I will quote that too,

"that McIntyre has entered into a long term coal sales contract with Nippon Kokan Kabushiki Kaisha acting as purchaser and co-ordinator on behalf of several Japanese steel mills for the sale of twenty-nine and a half million tons of coking coal over a fifteen year period. The coal sales agreement was executed on January 23, 1969."

Unquote.

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Frank John Holubowich - Stevenson Ex.

In recognition that the special condition contained in Clause 16a of each of Coal Leases 6599 to 6613 inclusive, which is the area coloured in green on the exhibit, Clause 16a was cancelled on November 5, 1969.

Q By the Department?

A By the Department.

Q So that as far as the Department was concerned the fifteen year twenty-nine and a half million dollar contract complied with the condition?

A That is right, sir.

Q And the Department was advised of this by this letter that you quoted to me?

A That's right.

Q The Department didn't take any part in venting the contract?

A No, sir.

Q Or in the negotiations?

A Not to my knowledge.

Q Nor in what use was made of these leases in the negotiations?

A No, I wouldn't, I wouldn't know.

Q And would there have been any consideration paid for the granting of those leases?

A There wasn't any consideration paid other than the normal one dollar an acre rental in advance and the lease application fee of \$10.

Q I take it that in coal leases generally, at least in recent years there has been no advance or bonus consideration paid

to the Department for coal leases?

A There have been one or two occasions where rights have been offered by public tender and bonuses had been paid.

Q But up to --

A Up to that point in time, no.

Q All right, then what happened, sir?

A On February the 10th, 1969, at a public sale of coal prospecting permits McIntyre Porcupine Mines Limited acquired Reservation For Coal No. 58, for a bonus consideration of \$102,752.00. This reservation comprised 32 sections or 20,480 acres of coal rights and it conveyed to McIntyre Porcupine Mines Limited the right to explore for coal for a period of one year from February the 12th, 1969.

Q This is a permit?

A That is right, that is a coal exploration permit.

Q Which land does that involve?

A That area is the area on, shown in pink on the part of the exhibit there.

Q That is what the Commission has marked Exhibit 19A, this one?

A That is right.

Q And I take it that is a permit which enables the holder to conduct exploration activities and does give him some right to convert to lease?

A It gives him the right to convert to lease after his exploration program has been completed.

Q And in this case he paid a bonus consideration of roughly \$5, is that right?

A Roughly \$5 an acre, right.

Q And that was for a period of one year from February 12th, 1969?

A Yes.

Q And what happened with respect to that permit?

A Well, prior to the termination of the one year period following February the 1st -- February the 12th, 1969, the holder could make application for a lease or leases of coal rights under Part 2 of the Mines and Minerals Act.

Q Yes?

A And the reservation was renewed for an additional period of one year commencing February 12th, 1970, after payment of \$3,200 was made to the Department, as an extension or renewal fee.

Q Extension of the permit --

A That is right. This renewal was granted to the holder to allow him to conduct further exploratory operations on the area.

Q That is on or about February the 12th, 1970?

A That is right.

Q And the representation made to the Department then was that further exploration was going to be carried out?

A That is right.

Q Yes?

A Well, on January 25th, 1971, McIntyre made application for eight leases comprising the entire reservation area and Coal Leases number 6888 to 6895 inclusive were granted on March 18, 1971, each for a term of 21 years. The area is indicated in pink. These leases are in good standing.

Q Now, tell me this, the permit holder does he have a right to

convert to lease?

A That is right, he has the right to convert to lease upon supplying the Department with evidence that he has conducted a satisfactory exploratory program and having submitted whatever documentation in support of that program he has compiled.

Q Primarily cost of this kind of work, is that right?

A Cost and other reports that would indicate some presence of coal.

Q But again you don't try to quantify the reserves?

A No, no.

Q And does he have to pay any initial consideration for the granting of the lease in those circumstances?

A Any additional?

Q Consideration for the granting of the lease?

A No, no, just the annual rental in advance of \$1 an acre and the lease application fee of \$10.

Q Is the rental for all leases a dollar an acre a year?

A That is right.

Q And that is regardless of whether or not they are developing or producing?

A That is right.

Q And then if they are in fact producing there is the royalty in addition?

A The royalty is in addition to the rent.

Q Now, the total coal rights held by McIntyre then are roughly ninety thousand acres?

A Just slightly under, that is right.

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Frank John Holubowich - Stevenson Ex.

Q And the entire area is marked on Exhibit 19, the two parts?

A Indeed.

Q Now, you have made a note that the boundary of the Willmore Wilderness Park is marked in here. What is the current boundary of Willmore Wilderness Park, which colour is that?

A The current boundary of Willmore Wilderness Park is that indicated by the red line and that boundary is only shown in relation to the coal holdings of McIntyre Porcupine.

Q I gather then that more recent leases are in fact within the boundary of the Park?

A Yes, that's right, partly within.

Q If I put Exhibit 1 together into A and B, A goes below B, is that right?

A That's right.

Q It's your Exhibit 1 which is our Exhibit 19. Now, Mr. Holubowich, did you want to explain Exhibit 2 or did you want to comment on it on the boundaries of the Willmore Park?

A I wouldn't have any comment to really make with respect to Willmore Wilderness Park, as the matter of the Park boundary is not under the jurisdiction of my department. It is under the jurisdiction of the Department of Lands and Forests.

Q That boundary has been realigned a number of times?

A That is right.

Q And I gather that at some point the permits or the leases of McIntyre were altered to conform with the boundary of the Park, is that correct?

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Frank John Holubowich - Stevenson Ex.

A There had been some adjustments in the north of the leases but these are not the leases involved.

Q The leases that we are concerned with haven't been affected by the Park?

A No.

Q Except part of them are in the Park now?

A That is right.

Q Tell me, can those be worked?

A The --?

Q The ones within the Park?

A The ones in the Park can be worked upon the lessee obtaining the right of entry onto the surface to conduct operations.

Q And I gather that the surface throughout this area is within the jurisdiction of the Department of Lands and Forests?

A That is my understanding also, sir.

Q And the lessee has to negotiate with the Department of Lands and Forests, or the surface owner, whoever it may be, in order to carry out its development subject to this right of entry given to him under the Right of Entry Arbitration Act?

A That is right, sir.

Q But your Department doesn't become involved in that either?

A No, sir.

Q And I take it then that the only -- am I correct then that the only record you have of any kind of representation or assurance being made by McIntyre to your department is in connection with the special clause in the leases coloured green

in the exhibit that we have looked at?

A That is right.

Q And what does Exhibit No. 20 indicate?

A Exhibit 20 indicates the holdings or the types of leases that are currently disposed of or held by other parties rather than McIntyre Porcupine.

Q That was in answer to my inquiry as to what other mineral development there might be in the area?

A That is right.

Q And all you can say is that these people are lessees?

A That is right.

Q Of these --

A Of the rights to the minerals as indicated in the ledger.

Q Yes, and what you have done is you've marked coal leases other and than McIntyre Porcupine petroleum/natural gas leases and petroleum and natural gas reservations?

A That is right.

Q And I take it that the petroleum and natural gas reservations is somewhat analogous to the coal permit we have been talking about?

A That is right.

Q Giving a limited right and a right to go to lease in certain circumstances?

A Yes.

MR. STEVENSON: Mr. Holubowich, those are the only questions that I have.

MR. CRUMP: Mr. Martland, would you care to

question the witness or shall we, or if you like you can assemble your questions and we will adjourn the Hearing for today and appear here tomorrow morning, Mr. Holubowich, at 9:30.

And before adjourning I would like to see Mr. Stevenson and Mr. Martland for just a moment before you get away.

The Hearing is adjourned.

(The Hearing adjourned at 12:55.)

